telecom namibia

NAPOTEL

MEDICAL AID FUND

nampost

ANNUAL REPORT 2019

www.napotelmedical.com.na

Administered by Prosperity Health

CONTENTS

telecom namibia

NAPOTEL

MEDICAL AID FUND

Reg No. MA 012

nampost

P.O. Box 297 Windhoek • Tel: (061) 201-2079

URGENT NOTICE TO MEMBERS

NOTICE TO MEMBERS OF THE NAPOTEL MEDICAL AID FUND, (REGISTRATION NUMBER 0012), OF THE ANNUAL GENERAL MEETING (AGM) TO BE HELD ON MONDAY, 24 JUNE 2019 AT 09:00, AT AVANI HOTEL (KALAHARI SANDS) SOSSUSVLEI ROOM IN WINDHOEK (REGISTRATION START AT 08H30)

PS:

1. The following documents are attached to this notice:
   - **Proxy Form, Members who will attend the meeting can represent up to four (4) members by proxy.**
   - **Minutes of the AGM held on 11 June 2018**
   - **Financials for the period ending 31 December 2018**

2. Proxy Holders should please hand in proxy forms, and present their Medical Aid Membership Cards at the registration desk at the AGM

3. Enquiries can be directed to the offices of the Administrator for the attention: Ms. Jeanette Van Staden (Tel. 061 – 201 2462).

4. Notice of motions can be placed before the Annual General Meeting and must reach the Principal Officer Ms. Getrud Baisako (Tel. 061 2012079 Fax: 061 302537) or e-mail (baisakog@telecom.na) on or before **10 June 2019.**

5. Motion, means a formal proposal by a principal member to discuss a matter related to the Fund excluding benefit enhancements. In order for the motion to be valid is must be clear, concise and be accompanied by a detailed motivation. The Board of Trustees would determine the validity of the motion and provide written feedback to the principal member.(should read exactly the same as the rule)

6. A Member who has submitted a valid Motion must present his/her Motion either personally or by means of a named and valid proxy at the AGM

AGENDA

To the Annual General Meeting (AGM) of Napotel Medical Aid Fund to be held on 24 June 2019 at 09h00 at Avani Hotel in Windhoek

1. Welcome by the Chairperson of the Fund – Mrs. D Nashandih-Endjambi
2. Quorum – The Quorum shall consist of 200 (hundred) members of the Fund in present or proxy.
3. Approval of minutes of the AGM held on 11 June 2018.
4. Chairperson's Report
5. Tabling of the Annual Financial Statements, for the year ended 31 December 2018.
6. Adoption of the auditors of the Fund currently being Ernst & Young.
7. Remuneration of the Board of Trustees
8. Closing of AGM

BY ORDER OF THE BOARD OF TRUSTEES

NAPOTEL MEDICAL AID FUND

MINUTES

**OF THE NAPOTEL MEDICAL AID FUND ANNUAL GENERAL MEETING
HELD ON MONDAY, 11 JUNE 2018 AT 09H00
AT AVANI HOTEL, WINDHOEK**

PRESENT:

BOARD OF TRUSTEES:	Ms D Nashandih Dr B van der Merwe Mr J Mouton Ms C Karokohe Mr L Mungunda Ms S Bergh Ms S Gawaseb Ms A Mbuende Mr H Witbooi
APOLOGY:	E Molatudi and A Mckay
PRINCIPAL OFFICER:	G Baisako
ADMINISTRATOR :	T Serfontein I Cuff L Chimana C Jacobs R Amuthenu
PWC AUDITOR:	D Van Wyk

1. OPENING & WELCOME

The Principal Officer of the Board welcomed all present at the meeting. The Chairperson and announced that the meeting was properly constituted as a quorum was present. A total of 153 members were represented in proxy and 80 members in attendance. The Chairperson then introduced the present Board of Trustees.

2. APPROVAL OF MINUTES OF THE MEETING HELD ON 03 JULY 2017

The Chairperson requested any comments/corrections while paging through the minutes.

The minutes were accepted as a correct and true reflection of the proceedings.

3. CHAIRPERSON & BOARD OF TRUSTEES REPORT

The Chairperson stated that the Napotel Medical Aid Fund continues to make strides in offering its members quality healthcare services and value for money. Looking at the year to date experience, the Fund performance remains acceptable but challenging, and at this point, it is important that we highlight both the Fund and Members need to aim at reducing cost to ensure that the escalation of healthcare inflation attributed to high utilization, drops to a more realistic level which is in line with the normal CPI.

For the financial year ended 31 December 2017, the Fund ended in a positive result of N$ 5,909,232 this performance compares well to the 2016 financial year, comparing key performance indicators such as the risk contribution income, total risk claims, non-healthcare expenses, other expenses and investment income.

The Fund strategy is to attract more members from the participating employers' groups to join the Napotel Medical Aid Fund as an increase in members, will expand the risk pool and ensure that the Fund can procure better rates in terms of negotiations with Healthcare Providers, broaden the risk base and minimize the volatility whilst at the same time offering a monetary cushion against price and utilization shocks.

She concluded by expressing sincere gratitude to the Board of Trustees, Principal Officer, Prosperity Health, NMG Actuaries, Ernst & Young Auditors NAMAF, NAMFISA as the regulator and all other partners for their support in ensuring that Napotel deliver a solid performance that contributes towards the long-term sustainability of the Fund.

6. PRESENTATION: ANNUAL FINANCIAL STATEMENTS: 31 DECEMBER 2016

Danica van Wyk, Partner from Ernst & Young Namibia presented the Annual Financial Statements of the Fund for the year ended 31 December 2017.

It was noted that the membership of the Fund at 31 December 2017 was 1,871 compared to 1,910 in 2016. The financial statements indicated a net surplus of N$5,909,232 while the reserve level of the Fund was at 74% compared to the previous year's 75%.

In the Auditor's opinion the financial statements presented fairly and in all material aspects, the financial position of the Fund as at 31 December 2017 and its financial performance and cash flow for the year in accordance with International Financial Reporting Standards and in the manner required by the Medical Aid Funds Act of Namibia (Act 23 of 1995).

After the presentation:

- **The Annual Financial Statement for the year ended 31 December 2017 was approved.**

The matter was finalized.

7. APPOINTMENT OF AUDITORS

It was reported that Ernest & Young were appointed as Auditors of the Fund for a period of three (3), they would conducted the audits for 2016, 2017 and 2018.

The matter was finalized.

8. REMUNERATION OF BOARD OF TRUSTEES

It was noted that as per Namfisa Circular PI/MA/3/2004 Medical Aid Funds were required to ensure that the Trustee remuneration was included as a standing agenda item at every Annual General Meeting, for the members to approve the Trustee remuneration structure. Funds were further required to ensure that the approve remuneration structure forms part of the funds amended rules and should be submitted to Namfisa for approval on an annual basis.

The Principal Officer presented the outline of the Fund's seating allowance in comparison to the industry and the proposed fee increase of 6% as previous resolved by the members.

The members approved a fee increase of 6% for two years.

The Remuneration of Board of Trustees was adopted as follows:

Description	Designation	
Board of Trustee Meetings	Chairman Vice-Chairman Other Trustees	N$2,727 N$2,479 N$1,984
Ad-hoc Board Meetings	Chairman Vice-Chairman	N$1,743 N$1,614

	Other Trustees	N$1,294
Finance/Investment Committee	Chairman Other Trustee	N$1,841 N$1,305
Ex-Gratia Sub-Committee	Chairman Other Trustee	N$1,022 N$886

9. VOTE OF THANKS

Dr van der Merwe thanked the members for their support, Board of Trustees, Auditors and the Fund Administrators for the roles they play in managing the Fund effectively and efficiently.

8. CLOSING OF FORMALITIES

With no further issues to be discussed, the meeting was adjourned at 10:29

OPEN SESSION

The members were given the opportunity to raise their concerns and proposed that the Board should look into the following matters.

- Increase Benefit of Acute Medication
- High Specialist Fees – Fund to cover difference
- Other alternative for Gym Benefits since Namfisa
- No contribution increase for 2019, the members were of the opinion that other medical aids were cheaper
- OTC benefit to cover items such as sunscreen
- Fund to look at ways to accommodate members outside WHK (AGM)

Duly signed:

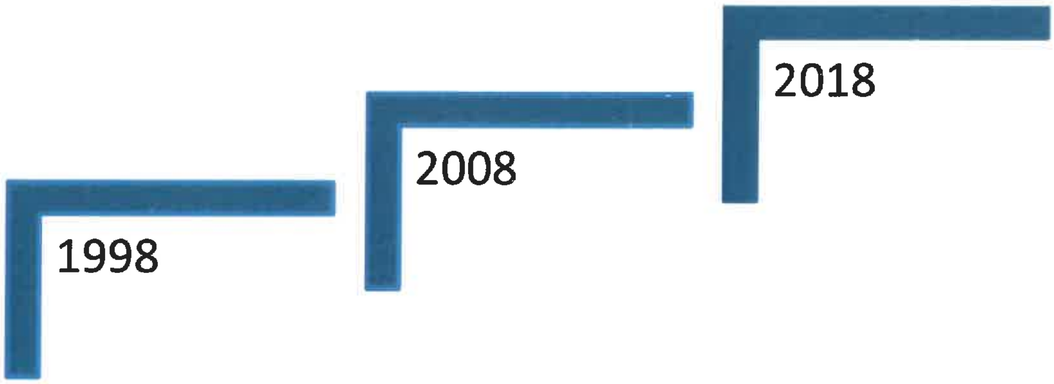
Chairperson Principal Officer

Minute Secretary Date

Chairperson , Principal Officer

& Board of Trustees Report

Two Decades of Healthcare Provision



In 2018, Napotel Medical Aid Fund marked 20 years of providing healthcare to our members.

The core purpose and values of the fund was set at inception and has remained the driving force for the past years

OUR VALUES

I- INTERGRITY & INNOVATION

C- CARE, CLIENT FOCUSED, & COLLABORATIVE

A - ACCOUNTABILITY

R- RESPONSIVE & RELIABLE

E- EXCELLENCE & PROFFESSIONAL

WE CARE ABOUT YOUR HEALTH AND WELL BEING

TABLE OF CONTENTS

"COMMENTS FROM OUR MEMBERS"

"I would like to take this opportunity to thank you Napotel for your assistance in my daughter's health. I am very grateful and satisfied with everything that has been done. My baby daughter is well and progress is good. She is still in medical care but surely in good health and thank you again for your efforts to assure that she was put on medical aid just in time: Edinhio Naruseb"

"As a pensioner, I would like to mention that NAPOTEL's monthly member contribution, as a pensioner, is much more favourable than the monthly contributions of the Medical Aid funds all our friends belong to, which is indeed a blessing in disguise for me. Thanks again for the admirable service your organization provides to its members and please keep up the good work.

"Helmuth Schlenther"

THANK YOU FOR YOUR FEEDBACK AND CONTINUED SUPPORT

OUR 2018 HIGHLIGHTS

33

babies born in 2018

0,09

births a day

2,300

claims processed per day

1,687

hospital admissions
authorized for year

93% of claims paid

within 5days

REVIEW BY THE CHAIRPERSON & PRINCIPAL OFFICER

Chairperson

Principal Officer

20 YEARS OF CARING FOR YOUR HEALTH

2018 marked the Napotel Medical Aid Fund 20th Anniversary a milestone for the fund in many aspects, yet the business of the medical aid remains robust and challenging. However, we remain positive and believe that with prudent leadership and member co-operation the Fund can celebrate many more milestones.

From its inception, the Fund aimed to provide high quality, cost effective medical aid services to all members and this core value remained the driving force and guidance for the Board of Trustees .

OUR JOURNEY: WHERE ARE WE TODAY?

The successful management of the Fund over the past few years, can not only be attributed to a well-defined business plan that was crafted from the beginning, but to the continues implementation, review and monitoring of strategies to find innovative ways to address member needs, by providing benefits that cater for their healthcare needs and promote their wellbeing, whilst applying ethical financial management to ensure the long-term sustainability of the Fund.

OUR 2018 REVIEW

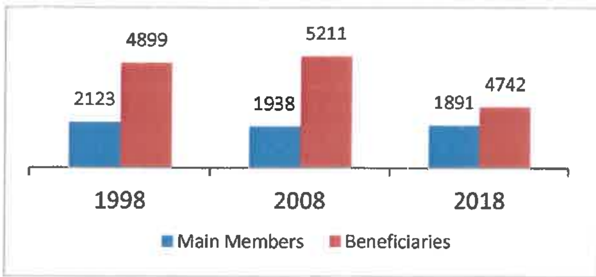
The current dwindling economy has brought about large lay-offs and minimal recruitments in the workforce across many sectors in the country, which in turn affects the growth and stability of most industries including Napotel Medical Aid. The Fund recorded a minimal growth of 1% for the 2018 financial year. Napotel Medical Aid Fund as a Closed Fund primary relies on the Participating Employers for new entrants.

In addition to the current economic conditions the Fund continues to experience an increase in claims costs and member co-payments. Member co-remains a challenge not only for Napotel but for the entire healthcare industry. In order to address this challenge the Fund is currently looking at cost containment initiatives. It is however important to note that despite this challenges we are pleased to report that Napotel Medical Aid Fund has remained financial healthy and stable. This is a testament that the fundamentals by which the Fund is managed are sound in ensuring sustainability.

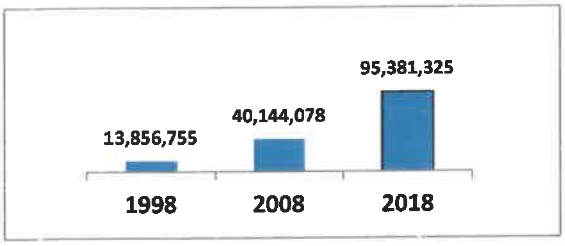
The Fund is in a healthy financial position and meets all regulatory requirements in terms of the reserve ratio and it remains our strategic aim to use this sound foundation to continue meeting the needs of our members and beneficiaries in a cost effective manner. At this juncture, we would like to urge our members to remain mindful of the Fund's sustainability through responsible utilization.

As part of the anniversary, we have included graphs, as illustrated below, indicated the movement in the Fund demographics from 1998.

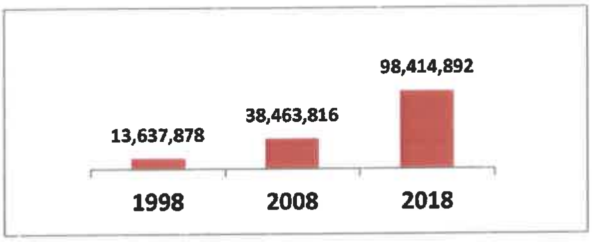
1. **Fund Membership**



2. Fund Claims Costs



3. Fund Contributions



OPERATIONAL OVERVIEW

The Fund recorded a minimal growth in which is mainly due to new appointments by participating employer groups. As a result contribution income increased by 9% from the previous year. In terms of claims incurred, the worrying trends of inflation-exceeding increases in the private health sector cost continue to have a serious and negative impact on the well-being and sustainability of the Fund. Claims incurred increased by 10.7% from the previous year.

FINANCIAL REVIEW

For the financial year ended 31 December 2018, the Fund ended in a positive result of **N$ 1,136,342** compared to **N$ 5,909,232** of the 2017 financial year.

The decrease is mainly contributed to the low performance of investments due to market conditions and an increase in claims costs. The Fund's solvency amounts to **69%** and we remain confident of the Fund's ability to meet member claims and other obligations to stakeholders.

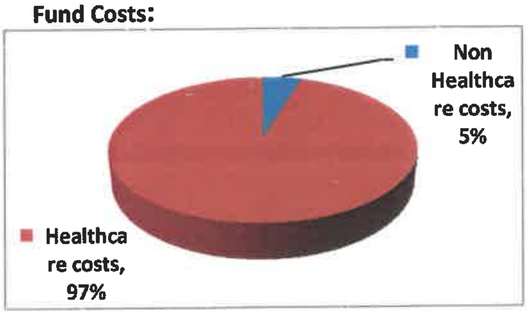
ADMINISTRATION SERVICES & COST CONTAINMENT INITIATIVES

The Fund continues to monitor and manage its non-healthcare expenditure and it remains one of the lowest in the healthcare industry at 5% compared to the open medical aid Funds of average non-healthcare costs of 10-12%.

However, the initiatives of the Fund and the industry to contain healthcare costs will not be a success without the member's participation. As the Fund expenses are significantly influenced by the increase in utilization and the anticipated financial impact of increased levels of fraud, waste and abuse.

The Fund's claims cost for hospital and associated services, such as claims for Specialists, Pathology and Radiology recorded a much higher increase and the underlining reasons are currently being reviewed and unpacked.

Fund Costs:



THE FUND RISK MANAGEMENT INITIATIVES

The essence of this initiative is built around analysing beneficiary claims profiles, developing programs with the main purpose of assisting beneficiaries in managing their illness conditions.

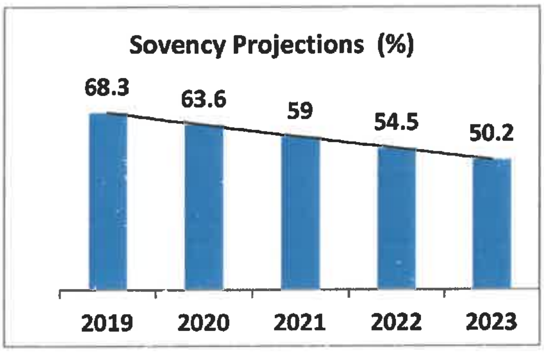
The management programs implemented on the hospital and the pharmaceutical benefits have proven to be successful and the Fund approved to extend the diseases management program to include radiology and pathology. These programs are linked to our beneficiary wellness initiative aiming to indirectly decrease healthcare cost through improved beneficiary wellness. Research has shown that there is a strong correlation between a well-established wellness program and the sustainability of a healthy Fund.

FUND 5-YEAR STRATEGY

The Fund strategy is to attract younger members from the participating employers' groups to join the Napotel Medical Aid Fund. As an increase in members will expand the risk pool , broaden the risk base and minimize the volatility while at the same time offering a monetary cushion against price and utilisation shocks.

The Fund has performed a risk-based capital assessment during 2018 to determine the appropriate reserve level using a scientific approached. The assessment indicated that a 50% solvency level is sufficiently strong given the size of the Fund and the range of risks facing the Fund.

The solvency is being targeted at around 50% in 2023, and the Board approved that this will be achieved in part by giving back in benefits to members. For the financial year 2019, the Trustees announced a competitive contribution increase of 7.5% and benefit enhancements which were all in line with the strategy of utilising the reserves to ensure the Fund sustainability while also releasing value to members in the form of stronger benefits and a relatively low contribution increase.



MARKET POSITION & BENEFIT DESIGN

Napotel Medical Aid Fund is the third largest restricted or closed membership funds from the 4 closed funds in Namibia. Despite it being a closed fund, Napotel faces the same challenges as open funds to remain sustainable and offer competitive benefits to its members.

As part of the benefit design process, the Fund Actuaries conducts an annual assessment of its benefits and contributions in comparison to other open and closed funds in the market. The outcome was as follows:

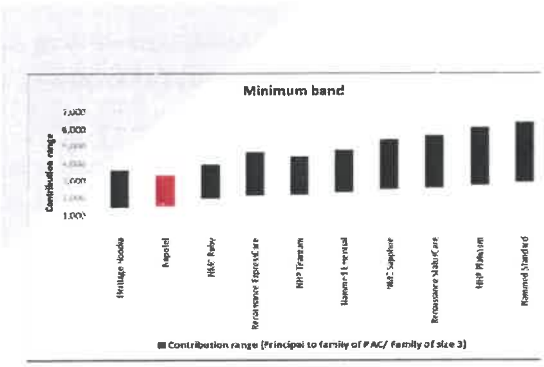
Benefits

- Napotel compares to the high- end options in the market.
- In terms of the benefits, the findings indicated that Napotel offers lower benefits in certain benefit areas such as dentistry, external appliances and psychiatry. Similar benefits in areas such as OTC, auxillary services and lasik treatment.
- Relative high benefits in areas such as acute medication, chronic, transport and professional services.
- The concern areas highlighted during the exercise are included in the benefit design process.

Contributions

- In terms of contributions, the benchmark exercise indicates that Napotel contributions are low compared to options in similar categories. The table below summarises how Fund contributions compare on average to other considered in the analysis, based on the average contribution per family:

The graph below illustrates Napotel (highlighted in red) contributions compared to Open Funds.



PARTICIPATION IN THE NATIONAL HEALTH AGENDA

The Fund Trustees and Principal Officer actively participate in the national health agenda through their industry platforms and forums engagements with NAMFISA The Fund remains a member of the Board of Healthcare Funders (BHF) of Southern Africa and this affiliation allows the Trustees access to information on regional and SADC developments.

Informative benchmarking and developments in the region are shared and considered based on the experiences BHF management is available to assist the Fund whenever required and will facilitate the Fund benefit design meeting for2019.

FRAUD, WASTE AND ABUSE

As highlighted earlier, one of the challenges faced by the industry in 2018 , is the effect of fraud, waste and abuse, on the ability of the Funds to maintain affordable contributions and ensure the long-term sustainability. Fraud, waste and abuse are currently being addressed at an industry level and it is proven that it is a definite threat to the sustainability of all funds. Nobody has been spared from this practice and it needs to be stopped.

Some of the concerns highlighted by the industry includes, Incorrect coding and code manipulation, disregard for NAMAF coding and billing rules, false use of membership cards, duplicate claims, false hospitals admissions, pharmacies claiming higher prices from medical aids than the shelf price, claiming for ethical medicine and supply generics, providers fee and funds benchmark tariff.

The Administrator has also implemented an intense internal audit process and created a risk department to focus on the risk assessment of the Fund and address cases of fraud, waste and abuse through strict internal audit controls and claims and practice analysis and reviews.

The industry has also embarked on a process to share information on instances of fraud, waste and abuse. These measures will ultimately contribute towards the reduction of FWA cases.

We would also like to take this opportunity to thank NAMAF for the initiatives to introduce treatment code training workshops for administrators' personnel and medical practice's staff to promote the correct interpretation and use of the NAMAF code and billing rules.

VOTE OF THANKS

We would like to take this opportunity to convey our most sincere appreciation to our fellow colleagues who served as Trustees for their commitment, support and cooperation during a challenging year. Without these qualities, the Fund would not be in the current sound position . We thank each of you for your continued support and dedication.

We also wish to express our heartfelt gratitude to the Administrator, Actuaries and Auditors for their loyalty and dedicated hard work. You are indeed delivering on the Fund's promise in respect of taking due care. We are confident that your hard work and dedication is appreciated by all members. We also wish to thank the Management of the participating Employer groups for their support, our regulators, NAMFISA and NAMAF, for their continued support and guidance in their aspiration to improve the industry.

Ms. D Nashandi
Chairperson

Ms. G Baisako
Principal Officer

HIGHLIGHTS FROM THE BOARD OF TRUSTEES

Introduction

The Board of Trustees are pleased to share with its valued members and stakeholders a highlight of the Fund performance . The report covers the operations of the Napotel Medical Aid Fund for the financial year 1 January 2018 till 31 December 2018. The report was prepared to provide Members and Stakeholders with an assessment of the Fund's performance and impact for the 12-months period. The report is intended to provide an understanding of the Fund's strategic approach over the short and medium-term, highlighting pertinent issues that impacts the Fund.

Annual Report Reporting Framework

The Board of Trustees adopted a simple reporting framework for members to easily understand and interpret the information. The Reporting Framework is applied in terms of the Medical Funds Act, the Registered Rules of the Fund, the required Accounting Guidelines for Medical Schemes and within any legislative requirements or regulations published by NAMFISA.

Access to information

The Trustees is committed to ensuring that its members and other stakeholders have access to accurate and reliable information. The Board of Trustees acknowledges its responsibility in assuring the integrity of the Annual Report. As such it has taken the responsibility to determine the matters that materially impact the Funds' ability to create value for its members and ensure sustainability. The purpose of the process is to ensure that only matters that substantively affect the Fund ability to create value are identified and reported on.

Identifying relevant matters based for report

Information from the following sources is used to determine material matters:

- Board and Committees Resolutions and action points
- The Fund's strategic objectives & strategic risk register
- Changes of membership profiles and benefit enhancements of the Fund Actuarial reports

The stakeholder feedback and inputs are obtained through regular annual roadshow as well as formal interactions with various stakeholders provided the Trustees with a good understanding of stakeholder's perceptions, expectations and or needs

ORGANISATIONAL OVERVIEW

Who is Napotel?

Napotel Medical Aid Fund was established in terms of the Medical Aid Act no.23 of 1995 and operate in compliance with conditions for good corporate governance as set by the regulator of non-banking financial institutions NAMFISA. (Namibia Financial Institutions Supervisory Authority). In terms of these regulations, a medical aid fund must be a non-profit-organization, which belongs to its members, and managed by a Board of Trustees

The Fund aims to provide **high quality, cost effective medical aid services** to all members.

Our vision, mission and values

To be the preferred Closed Medical Aid Fund for participating employers, providing quality tailor made health benefits and services.

Our main activities, products, services and the market we serve:

- As a registered medical fund Napotel Medical Aid Fund undertakes liability in return for contributions from members to:
- Provide access to relevant health services.
- Grant assistance in defraying medical expenditure incurred in connection with the rendering of relevant health services

Our product offering

The Napotel Medical Aid Fund offers one single option that was designed using an anticipated approach to member value offering and affordability. Fund also offer optional add-on benefits which can be used to increase members benefits to suit their personal medical needs.

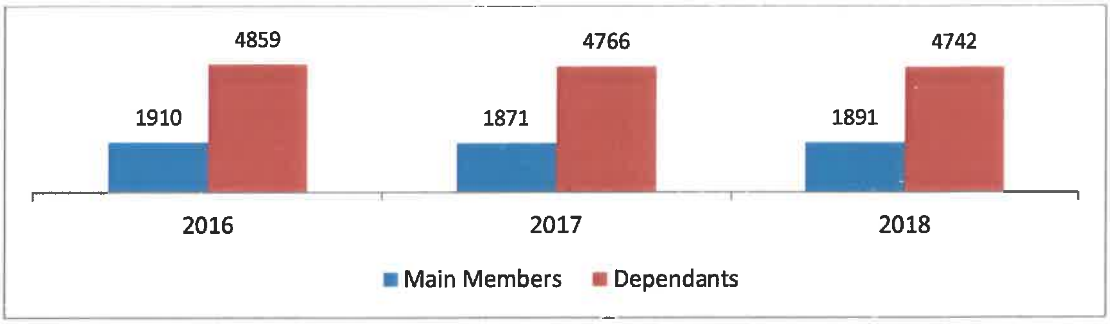
The Product offering is consisting out of the following key aspects:

- In-Hospital Benefits
- Out Of Hospital Benefits
- Preventative Wellness Benefits
- Optional Benefit Builders

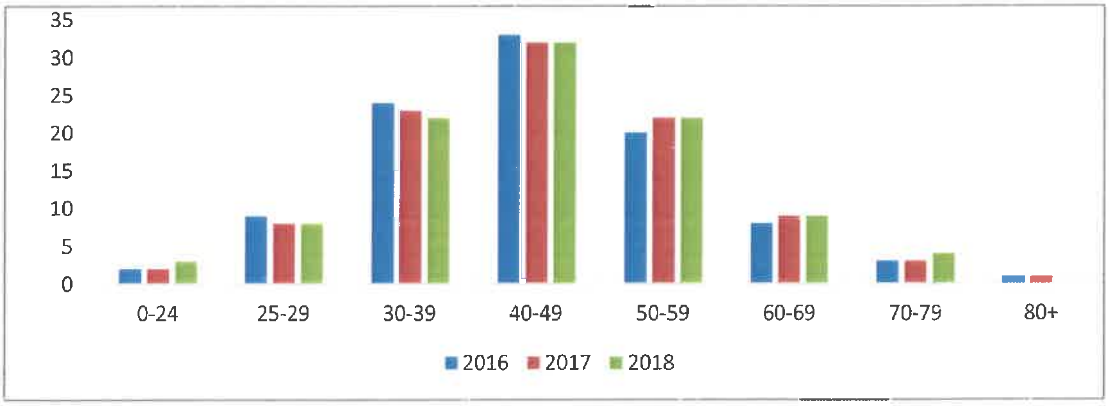
FUND DEMOGRAPHICS

In 2018, the Fund covered a total of **4,742**, beneficiaries ,which recorded a slight decrease in total lives compared to 2017. Below are graphs depicted the Fund demographics from 2016 to 2018.

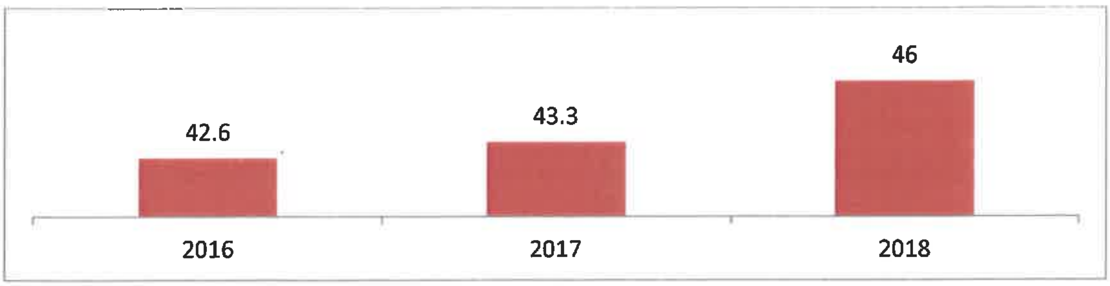
- **Total Membership**



- **Membership per Age Category**



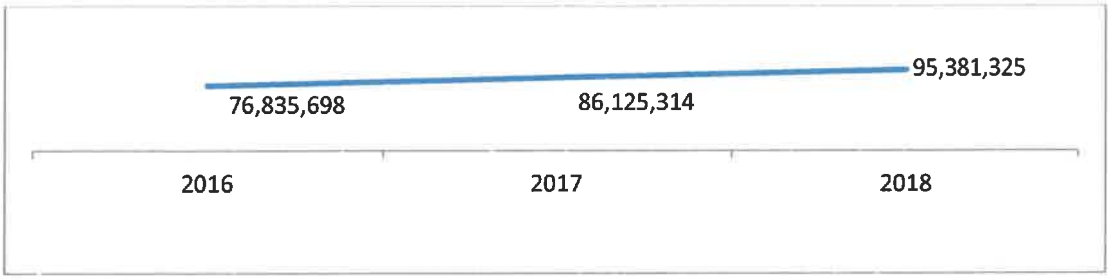
- **Average Age: Principal Members**



❖ Claims experience

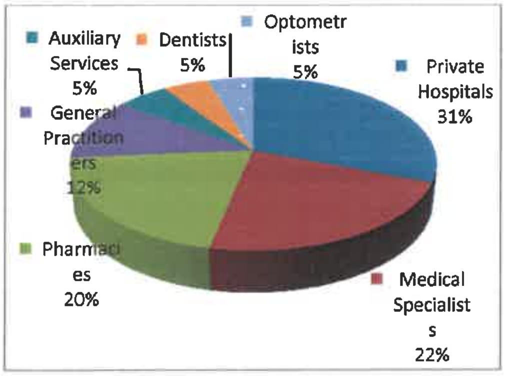
The Fund settled claims to the value of **N$ 95,381,325** This represents a 10.7 % increase from 2017 .Below is graphs depicting the Funds claims payments from 2016.

Total Claims

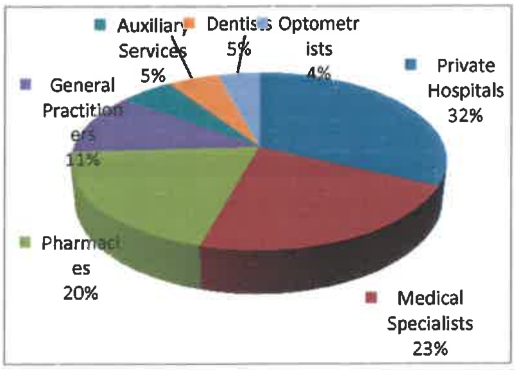


- **%Claims per top discipline**

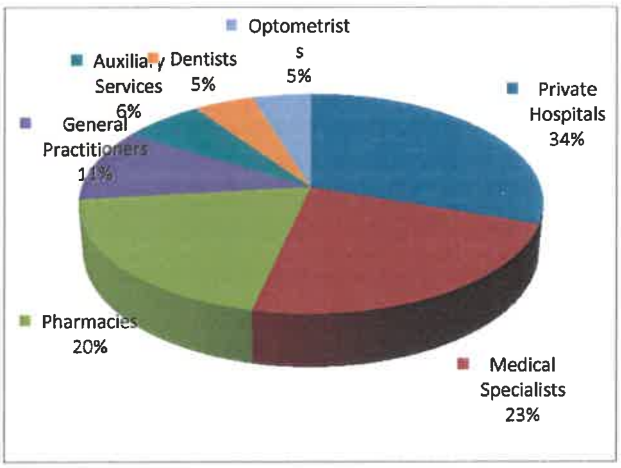
2016



2017



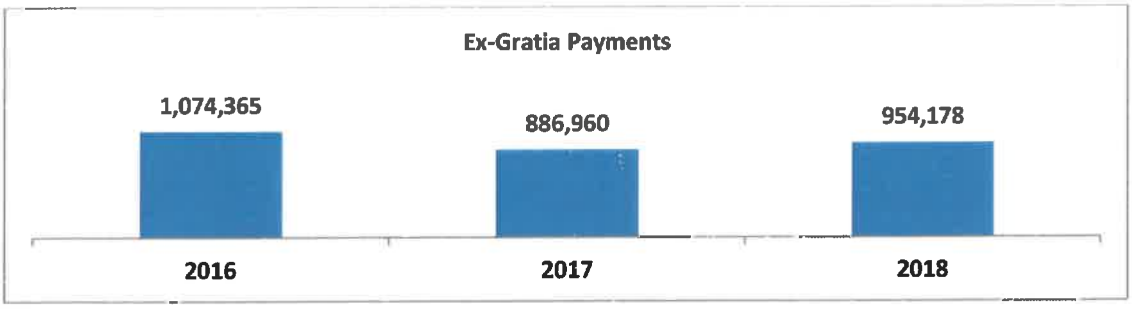
2018



❖ Ex-Gratia Payments

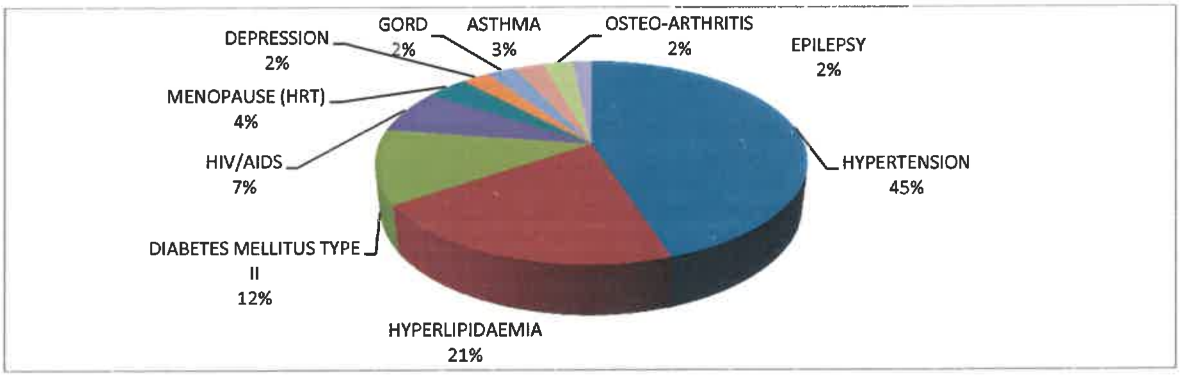
The contribution of ex-gratia assistance to our members

The Board and ex-gratia sub-committee considered member requests for ex-gratia assistance. These are requests for financial assistance in respect of healthcare services to members which do not form part of the benefit entitlement. The Fund ex-gratia function contributes to the health and wellbeing of members and their families by further enhancing access to healthcare . Below is the total value of ex-gratia payments awarded from 2016 .

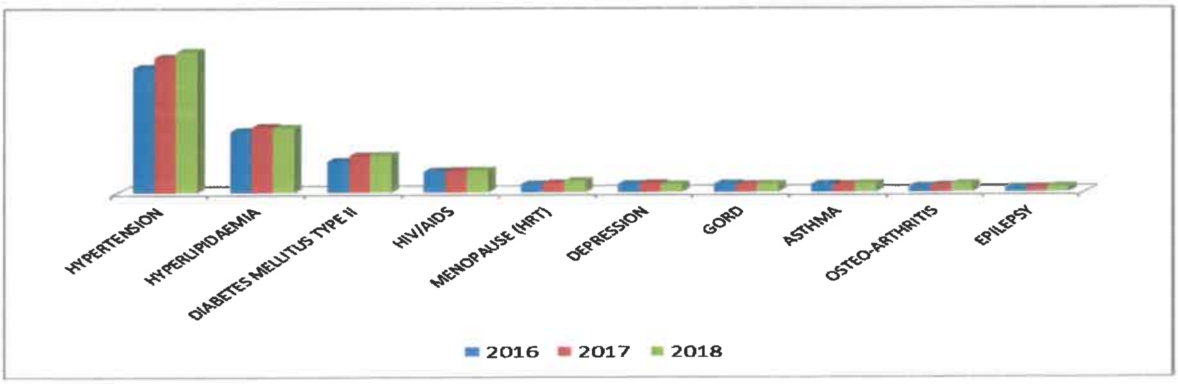


❖ Chronic Prevalence

The graph below shows the number of members registered on the top chronic diseases for 2018.



Chronic Registrations of top conditions from 2016:



PERFORMANCE & OUTCOMES

Financial performance

- ### The Reserve Ratio

In the Medical Aid Industry, the reserve or solvency ratio is defined as the degree to which current assets exceed current liabilities and relates to the ability of an entity to settle its liabilities in the short-term (12 months).

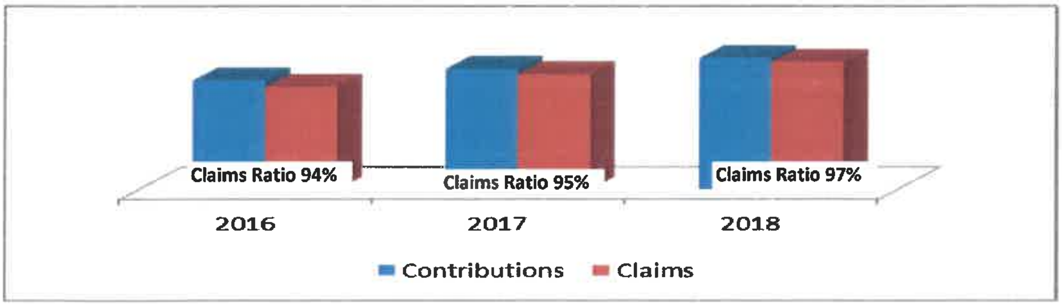
The reserve ratio within the medical Fund environment relates to contributions and accumulated funds and is calculated as the Fund's accumulated funds as a percentage of its Annual Gross contributions. As such the reserve ratio fluctuates during any financial year due to the above formula being applied. The Fund commenced the year with reserves of **74%** and ended the year with **69% reserve ratio.** The Fund conducted a risk-based capital assessment to determine the required solvency level of the Fund and 5-year strategy was put in place as highlighted under the chairperson report on page 9.

- ### Claims Experience

In 2018 the Fund settled claims to the value of **N$ 95,381,325** (448 150 claim lines). This represents a **10.7%** increase from 2017 during which the Fund settled claims to the value of **N$ 86,125,341**(354,798 claim lines). The Financial Sustainability work stream together with the Administrators, Prosperity Health initiated a project to do an in depth investigation into the claims patterns in 2019 after it became apparent that the Fund was facing a substantial increase in claims processed and paid.

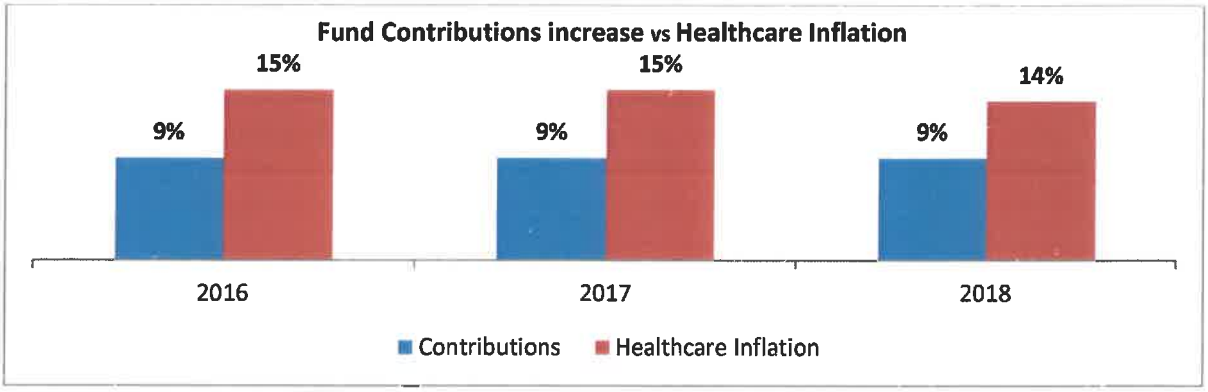
Claims Ratio

The claims ratio for the Fund overall **was 97% for 2018 compared to 95 % of 2017:** The Fund experienced a high claim year in 2018, the high increase is mainly attributed to increase in utilization.



Fund contributions

The Fund contribution increases for 2019 is on par with the industry or open fund increases for the year. The Namibian Medical Price Inflation (rate is almost double + of the normal country CPI rate. At the rate is deemed unsustainable and unaffordable to our members. The proposed plan is that the industry has to engage with all stakeholders to address the current and to ensure a sustainable private medical insurers industry into the future. The Fund strategy is to apply the risk –based principle to utilize the fund reserves to subsidize fund increases and benefit enhancements.



FUND COMMUNICATION

For the past few years ,the main objective of the Fund is to increase member involvement in Fund matters. The Board of Trustees established a communication work stream, with a core function to develop proper strategies to inform, educate and change behavior by using the correct and appropriate medium of communication. As part of the engagement strategies the Fund conducts member engagement sessions to share information on the Fund developments as well as to received feedback from the members. In 2018 the committee decided to extend the engagements sessions to the pensioner and continuation members.

The Fund Communication Platforms

- **Prosperity walk-in client service centres**

These centers provide direct access to Fund services and information to members and service providers.

- **Call centres**

The call centres operated across the Prosperity Health clients' service office. Further 24/7 call line is available for members to talk to a pharmacists to assist members with any pharmaceutical enquiries.

- **Electronic communication**

The extent of interaction with members through electronic communication was significant and included 47% of mail addresses of all members that receive regular mail bound and outbound emails. 97% of members cell numbers are registered and that receive daily SMS.

- **Member newsletters**

Quarterly newsletter information members on the latest fund developments were distributed.

- **Stakeholder Engagements**

In an effort to strengthen the relationship, monthly administration meetings are held with the participating employers human resources departments to ensure that the membership records and contribution reconciliations are synchronized and updated monthly. These sessions with HR stakeholder are held to engage and provide feedback regarding Fund membership processes .

Other communication initiatives

- The Fund launched a member update project in 2018 and the total currently stands at 97% of members' cellphone numbers on the system and the total who receive regular communications
- The Fund has an active webpage :***www.napotelmedical.com.na***
- The Fund will also launch an electronic service satisfaction perception survey in 2019 , the main purpose of the survey will be to measure members satisfactory levels with the current services.
- The annual roadshow which drives education sessions to improve member understanding of benefit entitlements processes was also held in all regions during 2018.

OUR OPERATING CONTEXT

Internal

The main challenge in our internal operating environment in 2018 was the occurrence of an increase in claims volumes in some disciplines. The underlying causes of the high claims volumes could be attributed to the changing profile of the Fund as well as to the Fraud, waste and abuse It is estimated that FWA, cost the Namibian healthcare industry 10-20% of the total annual claims.

External

Our external environment is characterised by a changing landscape, requiring a new strategy to manage and leverage the changes. Stakeholder intervention, regulatory initiatives and cost pressures require the adoption of mitigating strategies. Important developments in the external operating context that are expected to have an impact on the Fund's ability to create value are:

- **The imminent effect of the National Health status on the medical scheme landscape**

The implementation of a Universal Health Plan for Namibia is imminent with the medical aids, including PSEMAS only cover less than 18% of the Namibian population and an estimated 50% of the employed workforce.

- **Industry trends and gaps**

The medical schemes and health insurance industry is currently experiencing challenges such as increasing healthcare costs, changing member behaviour and an increased burden of disease.
Several gaps exist in the Namibian medical funds industry in respect of affordability, quality in the standard of healthcare and services delivery as well as accessibility challenges.

- **Other legislative and regulatory reform**

Medical schemes and their stakeholders are preparing to comply with the provisions of the FIM Bill that is expected to be promulgated during 2019. NAMAF is also repositioning itself from a member organization to that of a "conduct market regulator."

Both above developments will introduce changes to the way medical aid funds are administered and managed, Trustees will have to prepare to meet the regulations and standards and to some extent over regulated medical aid industry. The Napotel Medical Aid Fund supports the objectives of Regulators, NAMFISA and NAMAF and works closely with them in trying to make a difference to the Namibian healthcare and medical aid industries. Little efforts are however made to reduce Namibian healthcare costs and the impact of co-payments and out-of-pocket expenses of members the gap in fees of practitioners and the benchmark tariffs of funds unwillingness of pharmacies to substitute branded products for generics, overstating hospital claims for theatre and gas times in the theatre.

2018 KEY PERFORMANCE INDICATORS

Increase in Lives Covered:
2017: 4766
2018: 4742

Number of Principal Members:
2017: 1871
2018: 1891

Average Principal Member Age:
2017: 43.3%
2018: 46.0%

Average Beneficiary Age
2017: 28.8%
2018: 30.7%

Pensioner Rate:
2017: 12%
2018: 13.1%

Managed Care as % of gross contributions:
2017: 1.2%
2018: 1.2%

Admin Fees as % of Gross Contributions:
2017: 5%
2018: 5%

-

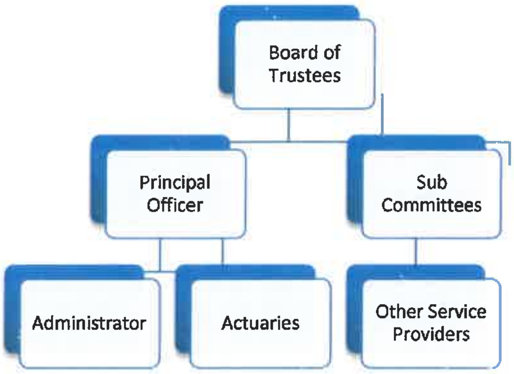
FUND SERVICE PROVIDERS

Principal Officer	Ms. Getrud Baisako
Administrators	Prosperity Health Namibia
Disease and Hospital Management Service	Prosperity Health Namibia
Actuaries	NMG Actuaries & Consultants
Investment Consultants	NMG Investment Consultants
Auditors	Ernst & Young
Bank "Financial Institute	Standard Bank

GOVERNANCE STRUCTURE

The Board of Trustees is responsible for the ultimate Governance of the Fund, and the Board consists out of the following structure:

- **Board of Trustees: Responsible for the overall governance, management in terms of risk, strategy and finance of the Fund.**
- **Sub-Committees: Finance, Ex-gratia and Strategic Work-Streams**
- **Principal Officer: Manages the day-to-day activities, corporate services, administration, and communication and monitors the Fund's risk.**



In addition to the Board structure indicated above, the Fund outsourced certain functions to extend and complement its structure, and in essence the Board structure is much larger if one considers the functions that have been outsourced through the non-healthcare service providers. Ultimately, the Board of Trustees has a fiduciary responsibility to look after the Funds and ensure that the management and actions of the service providers are done in the best interest of the members.

Board of Trustees

The Board of Trustees is committed to the principles of fairness, openness, integrity and accountability in all dealings with its stakeholders. Prosperity Health Administrators is the current Administrator and assist the Board with the day-to-day operations in claims processing and payment, managed care, pharmaceutical/hospital management, Fund management services and others.

The Board of Trustees meets regularly and monitors the performance of the Fund. During its meetings, the Board addresses a range of key issues and ensures that the Board discussions are informative, constructive and based on items of policy, strategy and performance. This is communicated to all members and health professionals and service providers through a newsletter, briefs and other communication modes. The Board of Trustees has access to the advice and services of the Principal Officer and where appropriate, they may seek external independent professional advice

The Board of Trustees has adopted the principles of Corporate Governance as generally referred to as the King III report and as applicable to medical aid funds. The Fund maintains internal system and controls, designed to provide reasonable assurance to the integrity and reliability of the financial statements, to safeguard, verify and maintain accountability for its assets adequately. Such controls are conducted based on established Fund policies, procedures and the implementation are overseen by trained personnel within the administration company. Prosperity Health (administrator) fulfill all internal audit functions and report any cases of possible non-compliance, abuse, waste and fraud to the Trustees regurlarly.

The Board of Trustees aim at all times to practice and apply ethical values in their interactions with members, health professionals, service providers and other stakeholders. The Trustees meets once per quarter to oversee the Fund's risk management function, stakeholder management activities, ethics performance, and compliance to the applicable regulatory framework Operations monitoring as part of the Board of Trustees responsibilities. The Trustees also attended a rules workshop to review and to ensure that the rules are in line with the medical aid funds act.

BOARD COMPOSITION

The Board of Trustees consists of **12** members: **6** Trustees as company management representatives and **6** Trustees as appointed member representatives.

Equal representation of employer and employee representatives

Telecom	**6**
Nampost	**4**
NPTH	**2**

Name	Company	Position	Represent
Ms. D Nashandi-Endjambi	Telecom	Chairperson	Employer
Ms. S Gawaseb	Telecom	Trustee	Members
Ms. A Mbuende	NPTH	Trustee	Members
Mr. E Molatudi	Telecom	Vice -Chairperson	Members
Mr. H Witbooi	Nampost	Trustee	Members
Ms. A Mckay	NPTH	Trustee	Employer
Ms. Sonja Bergh	Nampost	Trustee	Employer
Mr. L Mungunda	Nampost	Trustee	Member
Ms. C Karokohe	Telecom	Trustee	Employer
Dr. B Van der Merwe	Telecom	Trustee	Employer
Mr. Jerome Mouton	Nampost	Trustee	Employer
Mr. G Capelao	Telecom	Trustee	Members

Standing Committee structures and responsibilities

The Board of Trustees has established its standing committee structures that comply with the applicable governance and regulatory requirements. These committees fulfil key roles in ensuring good corporate governance. The Committees listed below are mandated by the Board of Trustees by means of written terms of reference as to their membership, authority and duties.

Finance Committee

The Finance Committee is mandated by the Board of Trustees by means of a "terms of reference". The Committee consists of four members, all trustees and from both employer and employee representatives. The Chairperson is elected from amongst the trustees. The committee addresses all financial, audit and investment matters and makes recommendations to the Board of trustees.

The Principal Officer, the Finance Manager of the administrator, Actuary all serve as ad-hoc members on the committee. The Administrator fulfill the internal auditors' function of the Fund. Amongst others the Committee carried out their responsibilities in terms of their terms of reference. They reviewed the external auditors and internal auditors' reports and any other findings arising from the financial, audit and investment activities of the Fund. The additional responsibility of the Committee is to assist the Board of Trustees in ensuring the efficient operation of the Fund by providing oversight, assessment and review of all aspects of the business and operations of the Fund.

The Finance Committee supports the Board in ensuring that the Fund's business environment is sound to protect the Fund from risk. The effectiveness of the Fund's investment strategy has a significant impact on financial performance. The Committee meets once per quarter to review the Fund's investment activities, compliance to the relevant provisions of the Medical Funds Act and investment performance under close review. The Committee also monitors the Fund's cash flow position and investment performance. The Committee is also responsible for overseeing the performance of the Fund's contracted asset consultants and managers

Ex-gratia Committee

The primary responsibility of the Committee is to, assess, decide and report on the approval of ex-gratia payments of the Fund. The Committee is mandated to assess and approve ex-gratia payments below N$ 50 000. Ex-gratia applications above N$ 50 000 are referred to the Full Board Meeting. All ex-gratia applications are assessed in terms of an approved ex-gratia criteria. The committee is also responsible for the review of the ex-gratia criteria and any changes are recommended to the Full Board for approval. For the financial year 2018, a total of **86** applications were assessed by the committee.

Trustees and Principal Officer summarised attendance register for 2018

The numbers reported for actual meetings attended is based on the signing of attendance registers and minutes of meetings. The number of meetings that could have been attended takes into account the number of meetings that were held during the financial year of reporting and that ended on 31 December 2018.

A: Number of Meeting per year **B:** Meetings Attended

	Full Board		**Finance Committee**		**Ex-Gratia Committee**	
	A	B	A	B	A	B
Ms. D Nashandi-Endjambi	9	9	-		-	-
Mr. E Molatudi	9	8	4	4	-	-
Ms. S Gawaseb	9	8	-	-	-	-
Ms. A Mbuende	9	8	-	-	6	5
Mr. H Witbooi	9	9	-	-	6	6
Ms. A Mckay	9	2	-	-	6	4
Ms. Sonja Bergh	9	7	-	-	6	6
Mr. L Mungunda	9	9	-	-	6	6
Ms. C Karokohe	9	6	4	2	-	-
Dr. B Van der Merwe	9	4	4	2	-	-
Mr. Jerome Mouton	9	7	4	3	-	-
Mr. G Capelao	9	9	-	-	-	-

Governance processes

An independent Board of Trustees forms the core of the Fund's corporate governance structure and is ultimately accountable and responsible for the performance and affairs of the Fund. The Board responsibilities are defined within the Rules of the Fund. The governance parameters within which the Board exist, sets out the role of the Board and specific responsibilities and duties to be discharged by the Board collectively, as well as certain roles and responsibilities incumbent upon Trustees.

As such, the Napotel Medical Aid Fund rules are aligned to the provisions of the Medical Funds Act no.23 of 1995 (the Act).The Board of Trustees has a process in place to perform annual reviews of its effectiveness of the Board and its Chairperson, as well as the effectiveness of the respective Board Committees.

STRATEGIC PLAN IMPLEMENTATION & MONITORING

The Board is responsible for providing strategic guidance to the Fund. The strategic plan gives effect to the Board's responsibility to govern the affairs of the Fund by directing the activities and providing an effective oversight through which performance can be monitored. The aim is to ensure that the business of the Fund operates efficiently and effectively. The Board has established five work streams responsible to implement, oversee, and monitor activities based on the key strategic objectives: The five work streams are as follows:

MANAGEMENT OF FUND RISK

The Board of Trustees is responsible to govern the management of risk and a formal risk management process is in place in accordance with the Fund's approved Risk Management Policy. The Board monitors the implementation of the approved strategic and operational risk mitigation measures as well as the Fund changing risk environment during 2018, by means of quarterly and ad hoc reports from the Fund Administrators Management and Actuaries.

The Board is comfortable that the residual risks facing the Fund were managed throughout 2018 and risk assessments and mitigation measures aimed at safeguarding the Fund and member interests were indeed effective.

BOARD COMMITMENT

Good corporate governance is regarded as critical to the success of the business of the Fund and the Board is unreservedly committed to applying the ethical values in all dealing underpinning good corporate governance.

BOARD OF TRUSTEES

Ms. D Nashandih
*Chairperson of the Board

Mr. E Molatudi
*Vice Chairperson of the Board
*Chairperson of Finance Committee

Mr. H Witbooi
*Board of Trustee

Ms. A Mckay
*Board of Trustee
*Chairperson of Ex Gratia Committee

Mr. G Capellao
* Board of Trustee

Ms. S Bergh
* Board of Trustee

Mr. J Mouton
* Board of Trustee

Ms. S Gaweses
* Board of Trustee

Ms. V Mbuende
* Board o Trustee

Mr. L Mungunda
* Board of Trustee

Dr. B Van der Merwe
* Board of Trustee

Ms. C Karokohe
* Board of Trustee

ANNUAL FINANCIAL STATEMENTS

The financial information presented in this Annual Performance Report for the year ended 31 December 2018 has been extracted from Napotel' signed statutory annual financial statements for the year ended 31 December 2018, which have been filed with the Registrar of Medical Aid Funds.

The following primary financial statements have been presented:

- Statements of financial position as at 31 December 2018
- Statements of comprehensive income for the year ended 31 December 2018
- Statements of changes in members' funds and reserves for the year ended 31 December 2018

Statement of financial position

N$ '000	2018	2017
Assets		
Property and equipment	166,266	-
Investment properties		-
Available-for-sale investments		-
Financial assets held at fair value through profit or loss		-
Non-current assets	**166,266**	
Financial assets held at amortised cost	6,885,018	6,379,440
Financial assets held at fair value through profit	53,483,806	51,608,746
Trade and other receivables	4,279,441	7,221,855
Cash and cash equivalents	13,008,893	7,388,814
Current assets	**77,657,158**	**72,598,855**
Total assets	**77,823,424**	**72,598,855**
Accumulated funds	68,311,716	67,175,374
Available-for-sale fair value reserve		
Members' funds		**67,175,374**
Outstanding risk claim provision	9,315,831	5,291,570
Personal Member Savings Account trust liability		
Trade and other payables	195,877	131,911
Current liabilities	**9,511,708**	**5,423,481**
Total members' funds and liabilities	**77,823,424**	**72,598,855**

Statement of comprehensive income

N$ '000	2018	2017
Risk contribution income	98,414,892	90,691,319
Relevant healthcare expenditure		
Net claims incurred	(95,381,325)	(86,125,314)
Accredited managed healthcare services	(1,154,709)	(1,061,424)
Gross healthcare result	**1,878,858**	**3,504,581**
Administrative expenditure	(4,847,703)	(4,174,837)
Net impairment losses on healthcare receivables		
Net healthcare result	**(2,968,845)**	**(670,256)**
Other income		
Investment income – Napotel Fund	4,124,284	3,750,009
Change in fair value of investment property	(847,005)	2,109,887
Employer refund of HIV/AIDS costs	1,227,518	1,246,497
Other expenditure		
Asset management fees	(399,610)	(576,040)
Interest expense		
Operating expenses on rental of investment property		
(Deficit)/Surplus for the year	**1,136,342**	**5,909,232**

Statement of changes in members' funds and reserves

	Accumulated funds
Balance as at 1 January 2017	**61,266,142**
Total surplus for the year	5,909,232
Deficit for the year	
Balance as at 1 January 2018	**67,175,374**
Total surplus for the year	1,136,342
Deficit for the year	
Balance as at 31 December 2017	**68,311,716**

Investment Portfolio

N$ '000	2018	2017
Preference Shares		
Listed equities	17,003,503	11,984,101
Unit Trusts		
Bonds	9,324,290	6,336,983
Money market instruments		
Unlisted equities		
Investment properties	1,645,706	8,898,371
Unlisted insurance policy		
Cash and cash equivalents	25,510,307	24,389,291
Other		
	53,483,806	**51,608,746**

Investment returns	2018	2017
Average return on investments as a percentage of investments	4%	6%

OTHER INFORMATION

❖ Audited Financial Statements

The audited Annual Financial Statements can be obtained
from the Fund registered office or Fund website and by email as stated below:
Principal Officer: baisakog@telecom.na
Fund website: www.napotelmedical.com
You may also request a copy via the Fund email

❖ How to access the Napotel 2018 Annual Report

The Napotel 2018 Annual Report, inclusive of the Funds' annual financial statements for the period ended 31 December 2018 is available on the Funds' Website at www.napotelmedical.com.na

Napotel Office 061 201 2462

Fax: Call Centre 264 61 223361

Email: napotelmember@prosperitynam.com

Website : www.napotelmedical.com.na

Postal Address:

Napotel Medical Aid Fund
PO Box 297
Windhoek
Namibia

NAPOTEL MEDICAL AID FUND
(Registration number 0012)
Annual Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2018

General Information

Country of incorporation and domicile	Namibia
Type of fund	The Fund is a closed Fund, which offers cover against the cost of medical services to the employees of Namibia Post and Telecom Holdings Limited and its subsidiaries (Namibia Post and Telecom Namibia Limited)
Trustees	Ms. D Nashandi-Endjambi (Chairperson) Mr. E Molatudi (Vice-Chairperson) Ms. S Bergh Ms. S Gawaseb Ms. AV Mbuende Ms. A McKay Ms. C Karokohe Mr. J Mouton Dr. B Van der Merwe Mr. H Witbooi Mr. L Mungunda Mr. G Capelao
Principal officer and address	Ms. G Baisako Head Quarters Namibia Post and Telecom Holdings Independence Avenue Windhoek
Administrator and address	Prosperity Health Namibia Head Office C/o Feld and Thorer Street Windhoek Namibia
Postal address	P.O. Box 22927 Windhoek Namibia
Actuaries	NMG Consultants and Actuaries (Pty) Ltd
Bankers	Standard Bank Namibia Limited
Fund registration number	0012
Investment managers	Capricorn Asset Management (Pty) Ltd Sanlam Investment Management Namibia (Pty) Ltd
Auditors	Ernst & Young Namibia

Index

Statement of Corporate Governance by the Board of Trustees

The Board of Trustees is committed to the principles and practices of fairness, openness, integrity and accountability in all dealings with its stakeholders. The trustees are proposed and elected by the members of the Fund and participating employers in terms of the rules of the Fund.

Board of Trustees

The trustees meet regularly and monitor the performance of the Fund, administrators, health professionals and other service providers. They address a range of key issues and ensure that discussion on items of policy, strategy and performance is critical, informed and constructive.

All trustees have access to the advice and services of the Principal Officer and, where appropriate, may seek independent professional advice at the expense of the Fund.

Risk Management and Internal Controls

The trustees are accountable for Risk Management and Internal Controls. Risks are identified, regularly reviewed, and appropriate resultant strategies implemented.

Risks are reviewed and dealt with at the Finance Committee and Board of Trustees level. Risks are addressed, based on impact to the fund and specific strategies or processes are set in place to deal with these risks.

As considered appropriate and to protect the long term sustainability of the Fund and volatility of claims the trustees do enter into risk transfer arrangements to secure this.

The administrators of the Fund maintain internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements and to safeguard, verify and maintain accountability for its assets adequately. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties.

No event or item has come to the attention of the trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.

Approval of annual financial statements

Chairperson

Principal Officer

Trustee

Trustee

29/05/2019
Date

Statement of Responsibility by the Board of Trustees

The Board of Trustees is responsible for the preparation, integrity and fair presentation of the annual financial statements of Napotel Medical Aid Fund. The annual financial statements presented on pages 7 to 38 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Medical Aid Fund Act 23 of 1995 and include amounts based on judgments and estimates made by management.

The Board of Trustees considers that in preparing the annual financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

The Board of Trustees is satisfied that the information contained in the annual financial statements fairly present the results of the operations for the year and the financial position of the Fund at year end.

The Board of Trustees is responsible for ensuring that accounting records are kept. The accounting records disclose with reasonable accuracy the financial position of the Fund which enables the Board of Trustees to ensure that the annual financial statements comply with the relevant legislation.

The Fund operates in a controlled environment which was reviewed through a risk management plan. The internal control procedures are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the Fund are controlled.

The going concern basis has been adopted in preparing the annual financial statements. The Board of Trustees has no reason to believe that the Fund will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These annual financial statements support the viability of the Fund.

The Fund's external auditor, Ernst & Young, is responsible for auditing the annual financial statements in terms of the International Standards on Auditing and their report is presented on pages 5 to 6. Ernst & Young have unrestricted access to all the financial records and related data, including minutes of all meetings of members, the Board of Trustees and all committees of the Board. The Board of Trustees believes that all representations made to the independent auditors during the audit were accurate and appropriate.

Approval of financial statements

pp

Chairperson

Principal Officer

Trustee

Trustee

29/05/2019

Date

Independent Auditor's Report

Opinion

We have audited the annual financial statements of Napotel Medical Aid Fund set out on pages 11 - 38 which comprise the Statement of Financial Position as at 31 December 2018, and the Statement of Surplus or Deficit and Other Comprehensive Income, Statement of Changes in Funds and Reserves and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Napotel Medical Aid Fund as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Medical Aid Fund Act 23 of 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (IASs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Namibia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The trustees are responsible for the other information. The other information comprises the Report of the Board of Trustees on page 7 - 10, which we obtained prior to the date of this report. Other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the trustees for the Financial Statements

The trustees are responsible for the preparation and fair presentation of the annual financial statements in accordance with IFRS and the requirements of the Medical Aid Fund Act, and for such internal control as the trustees determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the trustees are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young
Partner
Chartered Accountant (Namibia)

Windhoek

30 June 2019

Report of the Board of Trustees

The board of trustees hereby submit their annual report on the annual financial statements of Napotel Medical Aid Fund for the year ended 31 December 2018.

1. Terms of registration

Napotel Medical Aid Fund is a not for profit closed medical aid fund registered in Namibia in terms of the Medical Aid Funds Act 23 of 1995.

2. Description of the medical aid fund

Main business and operations

The Fund is a closed fund, which offers cover against the cost of medical services to the employees of Namibia Post & Telecom Holdings Limited, Namibia Post Limited and Telecom Namibia Limited operate principally in Namibia.

The operating results and state of affairs of the Fund are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the Fund was N$1 136 342 (2017: N$5 909 232).

Membership

As at 31 December 2018, the membership of the Fund was 1 891 (2017: 1 871) and the total beneficiaries of the Fund were 4 742 (2017: 4 766).

Benefit options

The Fund offers one product option to the employees of Namibia Post & Telecom Holdings Limited, Telecom Namibia Limited and Namibia Post Limited.

Risk transfer arrangements

Risk transfer arrangements are entered into with Prosperity Lifecare Insurance Limited. Refer to note 17 for more information.

3. Management

The trustees in office during the year under review are as follows:

Trustee	Nationality	Date appointed/elected
Ms. D Nashandi-Endjambi (Chairperson)	Namibian	01 March 2006
Mr. E Molatudi (Vice-Chairperson)	Namibian	01 May 2013
Ms. S Bergh	Namibian	01 July 2015
Ms. S Gawaseb	Namibian	01 September 2004
Ms. AV Mbuende	Namibian	01 October 2007
Ms. A McKay	Namibian	01 January 2015
Mr. G Capelao	Namibian	26 February 2018
Mr. J Mouton	Namibian	01 July 2015
Dr. B Van der Merwe	Namibian	13 February 2015
Mr. H Witbooi	Namibian	01 October 2006
Mr. L Mungunda	Namibian	01 September 2012
Ms. C Karokohe	Namibian	01 September 2016

The Principal Officer during the year under review was MS. G Baisako.

4. Guarantee received by the fund from a third party

In terms of Section 4 of the Medical Aid Fund Act, Bank Windhoek Limited has provided a guarantee of N$750 000 (2017: N$750 000) to the Fund in favour of NAMFISA and it is secured by an underlying investment.

Report of the Board of Trustees

5. Events after statement of annual financial position date

No matter which is material to the financial affairs of the fund has occurred between 31 December 2018 and date of approval of the annual financial statements.

6. Investments in and loans to participating employers of members of the fund and other related parties

The Fund does not hold investments in or provide loans to participating employers of the Fund, the Administrator or its subsidiaries, except for an investment that is held in Namibia Post Limited Savings Bank, one of the participating employers under normal commercial terms.

7. Related parties transactions

Refer to related party disclosure in note 16 to the annual financial statements.

8. Investment managers during the year

The Fund utilised the following investment managers during the current period:

Sanlam Investment Management Namibia (Pty) Ltd

4th Floor Sanlam Centre
154 Independence Avenue
Windhoek
Namibia

P.O. Box 23081
Windhoek
Namibia

Capricorn Asset Management (Pty) Ltd

119 Independence Avenue
Windhoek
Namibia

P.O. Box 284
Windhoek
Namibia

9. Actuaries during the year

The Fund appointed NMG Consultants and Actuaries (Pty) Ltd for the financial year end to provide actuarial services and asset consultation.

17 Nachtigal Street
Windhoek
Namibia

P.O. Box 13393
Windhoek
Namibia

10. Operational statistics of the fund

	2018 N$	2017 N$
Non-healthcare costs	4 847 703	4 174 837
Health management costs	1 154 709	1 061 424
Non-healthcare costs as a % of contributions	5%	5%
Return on investment as a percentage of investments at year end	4%	6%

11. Results of operations

The results of the Fund are set out in the annual financial statements, and the trustees believe that no further clarification is required.

Report of the Board of Trustees

Reserve ratio

	2018 N$	2017 N$
Total members' fund per statement of financial position	68 311 716	67 175 374
Net contributions	98 414 892	90 691 319
Reserve level	69%	74%

Solvency ratio

	2018 N$	2017 N$
Total assets	77 823 424	72 598 855
Total liabilities	9 511 708	5 423 481
Solvency ratio	8.18 times	13.4 times

Reserve accounts

Movements in the reserves are set out in the Statement of Changes in Funds and Reserves. There have been no unusual movements that the trustees believe should be brought to the attention of the members of the Fund.

Outstanding claims

The basis of calculation of the outstanding claims provision is discussed in note 9 and this is consistent with the prior year. Movements on the outstanding claims provision are set out in note 9 to the annual financial statements. There have been no unusual movements that the trustees believe should be brought to the attention of the members of the Fund.

12. Board of trustees meeting attendance

The following schedule sets out Board of Trustees meeting attendance.

Trustee	Total meetings for the year	Number of meetings attended
Ms. D Nashandih-Endjambi (Chairperson)	9	9
Mr. E Molatudi (Vice-Chairperson)	9	8
Ms. S Gawaseb	9	9
Ms. AV Mbuende	9	8
Mr. H Witbooi	9	9
Ms. A McKay	9	2
Mr. L Mungunda	9	9
Mr. B Van Der Merwe	9	4
Ms. S Bergh	9	8
Mr. J Mouton	9	7
Ms. C Karokohe	9	6
Mr. G Capelao	9	9

13. Record keeping and attendance of meetings

All meetings are duly minuted and attendance registers kept. The Administrator and Principal Officer participate in all the meetings and discussions at the meetings held by the Fund, but the ultimate power and decision making vest solely in the Board of Trustees.

Report of the Board of Trustees

14. Finance committee

A finance committee was established in accordance with the guidelines on good corporate governance. The committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The members, including the Chairperson, are not officers of the Fund or its third party administrator. The committee met on a quarterly basis and these meetings were duly minuted and attendance registers were kept. The Principal Officer and Administrator participate in all discussions at the meetings held by the Fund, but the ultimate power of decision making vest solely in the finance committee.

The primary responsibility of the committee is to assist the Board of Trustees in carrying out its duties relating to the Fund's accounting policies, internal control systems and financial reporting practices. The external auditors formally report to the committee on critical findings arising from audit activities.

The committee currently comprises of:
- Mr. E Molatudi (Chairperson)
- Ms. Karokohe
- Mr. J Mouton
- Dr. B van der Merwe

15. Ex-gratia committee

An ex-gratia committee was established in accordance with the guidelines on good corporate governance. The committee is mandated by the Board of Trustees by means of written terms of reference as to its authority. The members, including the Chairperson, are not officers of the Fund or its third party administrator. The committee met on nine occasions and these meetings were duly minuted and attendance registers were kept. The Principal Officer and Administrator attend all meetings.

The committee currently comprises of:
- Ms. A McKay (Chairperson)
- Mr. L Mugunda
- Ms. AV Mbuende
- Mr. H Witbooi
- Ms. S Bergh

Statement of Financial Position as at 31 December 2018

	Note(s)	2018 N$	2017 N$
Assets			
Non-Current Assets			
Computer equipment	4	166 266	-
Current Assets			
Financial assets measured at fair value	5	53 483 806	51 608 746
Financial assets held at amortised cost	6	6 885 018	6 379 440
Trade and other receivables	7	4 279 441	7 221 855
Cash and cash equivalents	8	13 008 893	7 388 814
		77 657 158	72 598 855
Total Assets		77 823 424	72 598 855
Equity and Liabilities			
Equity			
Accumulated funds		68 311 716	67 175 374
Liabilities			
Current Liabilities			
Outstanding claims provision	9	9 315 831	5 291 570
Trade and other payables	10	195 877	131 911
		9 511 708	5 423 481
Total Equity and Liabilities		77 823 424	72 598 855

Statement of Surplus or Deficit and Other Comprehensive Income

	Note(s)	2018 N$	2017 N$
Net contribution income	11	98 414 892	90 691 319
Relevant healthcare expenditure			
Net claims incurred	12	(95 381 325)	(86 125 314)
Gross healthcare result		3 033 567	4 566 005
Health management costs	12	(1 154 709)	(1 061 424)
Non-healthcare costs	18	(4 847 703)	(4 174 837)
Operating healthcare result		(2 968 845)	(670 256)
Dividends received	15	442 017	696 856
Employer refund of HIV / AIDS costs	19	1 227 518	1 246 497
Fair value gain on financial assets measured at fair value	5	(847 005)	2 109 887
MVA funds	19	-	49 135
Interest received	15	3 682 267	3 053 153
		1 535 952	6 485 272
Other expenditure			
Asset management fees	13	(399 610)	(576 040)
Total surplus for the year		1 136 342	5 909 232

Statement of Changes in Funds and Reserves

	Accumulated funds N$	Total equity N$
Balance at 01 January 2017	61 266 142	61 266 142
Total surplus for the year	5 909 232	5 909 232
Balance at 01 January 2018	67 175 374	67 175 374
Total surplus for the year	1 136 342	1 136 342
Balance at 31 December 2018	68 311 716	68 311 716

Statement of Cash Flows

	Note(s)	2018 N$	2017 N$ Restated
Cash flows from operating activities			
Cash generated from operations	14	5 304 427	590 761
Interest received	15	497 032	366 222
Net cash from operating activities		5 801 459	956 983
Cash flows from investing activities			
Purchase of computer equipment	4	(181 379)	-
Increase in assets measured at fair value	5	(3 121 675)	(2 915 335)
Increase in assets measured at amortised cost	6	(505 578)	(468 452)
Interest received	15	3 185 235	2 686 931
Dividends received	5&15	442 017	696 856
Net cash from investing activities		(181 380)	-
Total cash movement for the year		5 620 079	956 983
Cash and cash equivalents at the beginning of the year		7 388 814	6 431 831
Cash and cash equivalents at the end of the year	8	13 008 893	7 388 814

Accounting Policies

1. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below. These policies comply with International Financial Reporting Standards and have been consistently applied for all years presented, except for the standards adopted that became effective during the current year.

These accounting policies are consistent with the previous period. They are presented in Namibia Dollars which is the Fund's functional currency.

Basis of Preparation

The annual financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the Medical Aid Fund Act 23 of 1995. The annual financial statements have been prepared under the historical cost convention, except for the fair valuation of some financial assets.

Changes in accounting policies and disclosures

The following standards have been issued or revised and will become effective in future financial years:

Standard	Title	Effective date
IFRS 9	Financial Instruments	1 January 2018

IFRS 9 (2009) retains but simplifies the mixed measurement model for financial assets and establishes two primary measurement categories: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset. The impact of this new standard has been assessed by management.

Financial Instruments in Napotel include financial assets, being the investment held with Sanlam Investment Management and Namibia Post Investment. The 3 aspects of IFRS 9 are:

Recognition and Measurement – Currently the investments with Sanlam are measured at fair value – this is a segregated fund for Napotel and we believe the fair value measurement is the correct approach. The investment held with Nampost is measured at amortized cost with it having a fixed term therefore amortized cost is the best approach.

Impairment – No Impairment is expected due to the fact that the Investment is held with a credible financial institution, being Sanlam Investment Managers. Thus no credit losses are expected. This is also applicable for the investment held with Namibia Post.

Hedge Accounting – This is not applicable in the case of Napotel as there are no hedging instruments.

Standard	Title	Effective date
IFRS 15	Revenue from Contracts with Customers	1 January 2018

IFRS 15 is more prescriptive than current IFRS and provides more application guidance. The disclosure requirements are also more extensive. The standard is not expected to have a material impact on the Fund as it does not have revenue contracts, but rather consists of members that are bound by the scheme rules and board approved contribution tables. Furthermore the Fund is excluded from applying IFRS 15 as per IFRS 4 and since the fund applies IFRS 4, IFRS 15 is not applicable.

Accounting Policies

Changes in accounting policies and disclosues (continued)

Standard	Title	Effective date
IFRS 4	Insurance contracts	1 January 2018

IFRS 4 regards a medical benefit plan or contract entered into with a member as an insurance contract.

IFRS 4 provides a temporary exemption, allowing insurers to apply IAS 39 rather than IFRS 9. The exemption only applies in certain circumstances and only for annual periods beginning before 1 January 2021. The exemption also introduces an "overlay approach" in specific circumstances. This approach requires the insurer to reclassify an amount between other comprehensive income and profit or loss. This results in the profit or loss for designated financial assets being the same as if the insurer had applied IAS 39 rather than IFRS 9.

Napotel does not issue any insurance contracts and IFRS 9 is therefore not applicable and will have no effect.

Standards and interpretations issued, but not yet effective

Standard	Title	Effective Date
IFRS 16	Leases	1 January 2019

Napotel does not enter into any leases agreements or contracts, and thus no effect is expected.

1.1 Computer equipment

Computer equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of computer equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Computer equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of computer equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of computer equipment have been assessed as follows:

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of computer equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Accounting Policies

1.1 Computer equipment (continued)

Impairment tests are performed on computer equipment when there is an indicator that they may be impaired. When the carrying amount of an item of computer equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of computer equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of computer equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.2 Financial instruments

Classification

Financial assets

The Fund classifies its financial assets as subsequently measured at either amortised cost or fair value on the basis of both: the entity's business model for managing financial assets; and the contractual cash flow characteristics of the financial asset. Financial assets are measured at amortised cost if both of the following conditions are met: the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and the contractual terms of terms of the financial asset give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding. If a measurement or recognition inconsistency is eliminated or significantly reduced by designating a financial asset as measured at fair value, the Fund has the discretion to elect this option at the financial asset's initial recognition. Classification is not based on an instrument-by-instrument approach, but is determined at a higher level of aggregation.

This classification is determined at initial recognition of a financial asset. At this point, the Fund may make an irrevocable election to present in other comprehensive income subsequent changes in fair value of an investment in an equity instrument that is not held for trading.

Trade and other receivables are classified as financial assets at amortised cost. Refer to notes 1.2 and 7.

Financial liabilities

The Fund classifies its financial liabilities as at fair value or as financial liabilities at amortised cost. The Fund has the option to classify the financial liability as at fair value if it is held for trading or if the prerequisites in IAS 39.9 (b) are met and it is designated upon initial recognition as at fair value.

Trade and other payables are classified as financial liabilities at amortised cost. Refer to note 10.

Accounting Policies

1.2 Financial instruments (continued)

Recognition and measurement

Financial assets

Initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value plus, in the case of a financial asset not at fair value, transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets carried at fair value are initially recognised at fair value and transaction costs are expensed in the statement of surplus/deficit.

Financial liabilities

Initial measurement

Financial liabilities are initially recognised at fair value plus, in the case of financial liabilities not at fair value, transaction costs that are directly attributable to the acquisition of the liability. Financial liabilities carried at fair value are initially recognised at fair value and transaction costs are expensed in the statement of surplus/deficit.

Accounting Policies

1.2 Financial instruments (continued)

Subsequent measurement

Financial assets

Financial assets at fair value are subsequently carried at fair value. Financial assets at amortised cost are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of a financial asset that is measured at fair value and is not part of a hedging relationship shall be recognised in the statement of surplus/deficit within 'realised gains/(losses) on the financial assets' or 'unrealised gains/(losses) on financial assets' in the period in which they arise, unless the financial asset is an investment in an equity instrument and the entity has elected to present gains and losses on that investment in other comprehensive income.

Gains and losses on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in the statement of surplus/deficit when the financial asset is derecognised, impaired or reclassified, and through the amortisation process.

Dividend income from financial assets at fair value and financial assets at amortised cost is recognised in the statement of surplus/deficit as part of investment income when the Fund's right to receive payments is established. Interest on financial assets at fair value and financial assets at amortised cost calculated using the effective interest method is recognised in the statement of surplus/deficit as part of investment income.

Financial liabilities

Financial liabilities at amortised cost are carried at amortised cost using the effective interest method. Financial liabilities at fair value are subsequently carried at fair value, unless the exceptions in IAS 39 paragraph 47 apply.

Gains or losses on a financial liability that is measured at amortised cost and is not part of a hedging relationship shall be recognised in the statement of surplus/deficit when the financial liability is derecognised, impaired or reclassified, and through the amortisation process.

Realised and unrealised gains or losses arising from changes in the fair value of a financial liability that is measured at fair value and is not part of a hedging relationship shall be recognised in the statement of surplus/deficit within 'realised gains/(losses) on the financial liabilities' or 'unrealised gains/(losses) on the financial liabilities in the period in which they arise.

- the Fund has an obligation at the reporting date as a result of a past event;
- it is probable that the Fund will be required to transfer economic benefits in settlement; and
- the amount of the obligation can be estimated reliably.

Derecognition

Financial assets

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities

Financial liabilities are derecognised when they are extinguished - the obligation specified in the contract is discharged or cancelled or expires.

Accounting Policies

1.2 Financial instruments (continued)

Impairment of financial assets

The Fund assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets carried at amortised cost

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced and the amount of the loss is recognised in the statement of surplus/deficit. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

Receivables with a short duration are not discounted.

Reversals of impairment losses

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of surplus/deficit, unless the investment is an equity instrument and the entity has elected to present gains and losses on that investment in other comprehensive income, in which case impairment losses recognised in the statement of surplus/deficit on equity instruments are not reversed through the statement of surplus/deficit.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Trade and other receivables

Contributions outstanding are amounts due from counterparties trading in the normal course of business, such as Fund members for contributions or from insurers for claim recoveries. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.
Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

Accounting Policies

1.4 Healthcare insurance contracts

Contracts under which the Fund accepts significant insurance risk from another party (the member) by agreeing to compensate the member or other beneficiary if a specified uncertain future event (the insured event) adversely affects the member or other beneficiary are classified as insurance contracts. The contracts issued compensate the Fund's members for healthcare expenses incurred.

The accounting policies for the income, expenses, assets and liabilities relating to such insurance contracts are disclosed in more detail in specific accounting policy notes.

1.5 Financial assets measured at fair value

Risk transfer premiums are recognised as an expenses over the indemnity period on a straight line basis, A portion os risk transfer premiums is treated as prepayments.

Risk transfer premiums and benefits reimbursed are presented in the statement of surplus/deficit and statement of financial position on a gross basis.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance contracts. Amounts recoverable under such contracts are recognised in the same year as the related claim.

Claim recoveries relating to risk transfer arrangements are calculated on the basis of the underlying contracts, utilising detail expense reports provided by the insurer.

Assets relating to risk transfer arrangements include balances due under risk transfer arrangements for outstanding claims provisions and claims reported not yet paid. Amounts recoverable under risk transfer arrangements are estimated in a manner consistent with the outstanding claims provisions, claims reported not yet paid, and settled claims associated with the risk transfer arrangement.

Amounts recoverable under risk transfer arrangements are assessed for impairment at each statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Fund may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Fund will receive under the risk transfer arrangement.

1.6 Outstanding claim provisions

Provisions are recognised when: the Fund has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Outstanding claims provision

Claims outstanding comprise provisions for the Fund's estimate of the ultimate cost of settling all claims incurred but not yet reported or reported but not yet processed at the statement of financial position date. Claims outstanding are determined as accurately as possible based on the actual claims relating to the financial year received in the four months after year-end plus an estimate for expected claims relating to the financial year that will be paid after the four month period. This estimate is based on the ratio of claims after four months to the claims within four months and is determined from historical experience. Claim handling expenses are not separately accounted for as the service is provided by the administrator and a fixed fee paid for the full administration service including claims handling. No provision for claims handling expenses is required as the Fund has no further liability to the administrator at year-end.

Accounting Policies

1.6 Outstanding claim provisions (continued)

Estimated co-payments and payments from savings plan accounts are deducted in calculating the outstanding claims provision.

1.7 Contribution income

Contributions on member insurance contracts are accounted for monthly when their collection in terms of the insurance contract is reasonably certain. Net contributions represent gross contributions after deduction of savings plan contributions. The earned portion of net contributions received is recognised as revenue. Net contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis.

1.8 Relevant healthcare expenditure

Relevant healthcare expenditure consists of net claims incurred and health management costs.

1.9 Claims

Gross claims incurred comprise the total estimated cost of all claims arising from healthcare events that have occurred in the year and for which the Fund is responsible, whether or not reported by the end of the year. Net claims incurred represent claims incurred net of discounts received, recoveries from members for co-payments and after taking into account recoveries from third parties.

Net claims incurred comprise of:

- claims submitted and accrued for services rendered during the year, net of discounts received, recoveries from members for co-payments;
- movement in the provision for outstanding claims;
- claims settled in terms of risk transfer arrangements; and
- charges for managed care: healthcare services (Ex-gratia).

1.10 Managed care: management services costs

The expenses represent the cost of managing healthcare expenditure and the amounts paid or payable to third party administrators, related parties and other third parties for managing the utilisation, costs and quality of healthcare services to the Fund.

1.11 Investment income

Investment income mainly comprises dividends and interest.

Interest income

Interest income is recognised using the effective interest method. When a loan or receivable is impaired, the Fund reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues to unwinding the discount as interest income. Interest income on impaired loan and receivable are recognised using the original effective interest rate.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Other investment income

Income from collective investment schemes and insurance policies is recognised when entitlement to revenue is established and it can be measured reliably.

Accounting Policies

1.12 Significant judgements and sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Financial assets measured at cost and amortised cost

The Fund assesses its financial assets measured at cost and amortised cost for impairment at each reporting period date. In determining whether an impairment loss should be recorded in the statement of surplus/deficit, the Fund makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for financial assets measured at cost and amortised cost is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting period date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions.

The Fund reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the fund is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

	2018	2017
	N$	N$

2. Financial risk management

2.1. Overview

The Fund's activities exposes it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance and statutory solvency requirement.

The trustees have overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund manages these risks through various risk management processes. These processes have been developed to ensure that the long-term investment return on assets supporting the insurance liabilities is sufficient to Fund members' reasonable benefit expectations.

2.2. Credit risk

Credit risk is the risk of financial loss to the Fund, if a counterparty to a financial instrument fails to meet its contractual obligations.

2.2.1. Credit risk management

The Fund's principal financial assets are cash and cash equivalents, trade and other receivables and financial assets at fair value through profit and loss. The Fund's credit risk is primarily attributable to its trade and other receivables.

Trade and other receivables

Trade and other receivables comprises outstanding contributions (insurance receivables) and other receivables.

The main components of insurance receivables are:

- receivables for contributions due from members;
- receivables for amounts recoverable from insurance contracts.

The Fund manages credit risk by:

- actively pursuing all contributions not received after 1 month of becoming due;
- performing credit checks on insurers;
- suspending benefits on member accounts when contributions have not been received for 30 days;
- terminating benefits on member accounts when contributions have not been received for 90 days;
- ageing and pursuing unpaid accounts on a monthly basis.

The Fund establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Refer to note 7 for more detail. The Fund's management does not expect any losses in excess of this provision from non-performance by these counterparties.

Investment and cash and cash equivalents

Counterparties and cash transactions are limited to high credit quality financial institutions. The Fund has a policy of limiting the amount of credit exposure to any one financial institution.

2.2.2. Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Notes to the Annual Financial Statements

	2018 N$	2017 N$

2. Financial risk management (continued)

Financial assets measured at fair value	53 483 806	51 608 746
Trade and other receivables	4 279 441	7 221 855
Cash and cash equivalents	13 008 893	7 388 814
	70 772 140	66 219 415

Trade and other receivables

The main components of insurance receivables are contribution receivables, member and service provider claims receivables. Contribution receivables are collected by means of debit orders, cash payments or electronic funds transfers.

Contributions receivable	Gross 2018	Impairment 2018	Gross 2017	Impairment 2017
Current	4 891 624	-	6 792 334	-
Past due 31 - 60 days	(932 761)	-	124 155	-
	3 958 863	-	6 916 489	-

Other receivables				
Current	320 578	-	305 366	-

Based on past experience, the Fund believes that no allowance is required in respect of debtors that are past due and outstanding for less than 90 days, unless they are individuals who resigned from the Fund. The Fund has not renegotiated the term of receivables and does not hold any collateral or guarantees as security.

The entire amount of trade and other receivables is unrated. Insurance receivables consist of outstanding contributions at year-end as well as the insurance debtor amount. On analysing the credit quality of contribution debtors the Fund effectively collected 90% of these amounts in January. This indicates a high credit quality relating to these debtors. The insurance debtor is also a high credit quality counterparty. Consequently no additional disclosure of the credit quality is provided. The other debtors are expected to have similar credit quality and settled their obligations in January 2019. No impairment provision has been raised for these debtors.

Cash and cash equivalents

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The credit rating below were obtained from Fitch and Global Credit Rating Company.

	Credit rating		
Capricorn Asset Management (Pty) Ltd	(A1+)	1 234 477	1 142 776
Standard Bank Namibia Limited	(F1+)	11 774 416	6 246 038
		13 008 893	7 388 814

Financial assets at fair value

Financial assets measured at fair value are neither past due nor impaired.

The Fund limits its exposure to credit risk by investing in high-quality credit worthy counterparties. Given these high credit ratings, the trustees do not expect any counterparty to fail to meet its obligations.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Notes to the Annual Financial Statements

		2018 N$	2017 N$

2. Financial risk management (continued)

Financial assets at fair value	Credit rating		
Sanlam Investment Management	(AA+)	53 483 806	51 608 746

2.3. Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due.

The short-term financial liabilities of the Fund consist of claims made by members which have not been processed by the Fund, savings refundable to members and claims incurred but not yet reported (outstanding claims provision).

The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Prudent liquidity management implies maintaining sufficient cash and marketable securities, reflected in the table below. The availability of funding through liquid holding cash positions with various financial institutions ensures that the Fund has the ability to Fund its day-today operations.

Notes to the Annual Financial Statements

	2018 N$	2017 N$

2. Financial risk management (continued)

2018

Assets	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial assets	53 483 806	-	-	-	53 483 806
Trade and other receivables	4 279 441	-	-	-	4 279 441
Cash and cash equivalents	13 008 893	-	-	-	13 008 893
	70 772 140	-	-	-	70 772 140

Liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade and other payables	(195 877)	-	-	-	(195 877)
Outstanding claim provision	(9 315 831)	-	-	-	(9 315 831)
	(9 511 708)	-	-	-	(9 511 708)

					Total
Net Position	61 260 432	-	-	-	61 260 432

2017

Assets	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial assets	51 608 746	-	-	-	51 608 746
Trade and other receivables	7 221 855	-	-	-	7 221 855
Cash and cash equivalents	7 388 814	-	-	-	7 388 814
	66 219 415	-	-	-	66 219 415

Liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade and other payables	(131 911)	-	-	-	(131 911)
Outstanding claim provision	(5 291 570)	-	-	-	(5 291 570)
	(5 423 481)	-	-	-	(5 423 481)

					Total
Net Position	60 795 934	-	-	-	60 795 934

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year approximate their fair values. The carrying amounts of financial assets and financial liabilities in the financial statements approximates their fair values.

2.4. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk

The Fund operates in Namibia and therefore its cash flows are denominated in Namibian dollar (N$). The exposure to foreign currency movements is not significant as no investments are denominated in foreign currency.

Notes to the Annual Financial Statements

	2018 N$	2017 N$

2. Financial risk management (continued)

Price risk

The Fund is exposed to securities price risk because of financial assets held by the Fund and classified as financial assets at fair value. The Fund is exposed to commodity risk. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio. Diversification of the portfolio is done by the asset managers in accordance with the mandate set by the Fund.

The effect on surplus of changes in the market on the equity portfolio at the reporting date is shown in the sensitivity analysis below with all other variables held constant. Accumulated funds would not be affected as all financial assets are classified as financial assets at fair value.

	2018 N$	2017 N$
Financial assets at fair value:		
100bp 1% increase in market	534 838	516 087
100bp 1% decrease in market	(534 838)	(516 087)

The Fund's sensitivity to equity prices has increased from the prior year

Notes to the Annual Financial Statements

	2018 N$	2017 N$

2. Financial risk management (continued)

Interest rate risk (cash flow and fair value)

The Fund's investment policy is to hold a large portion of its investments in interest bearing instruments. The Fund's income and operating cash flows are therefore substantially influenced by the change in market interest rates. Investments in interest bearing instruments issued at variable rates expose the Fund to cash flow interest rate risk (i.e. loss of income if the rates decrease and increase in income if they increase). Investments in interest bearing instruments issued at fixed rates exposes the fund to fair value interest rate risk (i.e. movement in interest rates would have a direct effect on the fair value of the instruments).

The Fund is exposed to both interest rate risks as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate investments within the Fund's investment portfolio.

The Fund's insurance and other liabilities are settled within one year and therefore the Fund does not discount its liabilities and consequently changes in market interest rates would not affect the Fund's surplus or deficit. The same applies to trade and other receivables.

The table summarises the Fund's exposure to interest rate risks. Included in the table are the Fund's investments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

2018	Less than 12 months	More than 12 months	Total
Cash and cash equivalents	13 008 893	-	13 008 893
Financial assets measured at fair value	53 483 806	-	53 483 806
Financial assets at amortised cost	6 885 018	-	6 885 018
	73 377 717	-	73 377 717

2017	Less than 12 months	More than 12 months	Total
Cash and cash equivalents	7 388 814	-	7 388 814
Financial assets measured at fair value	51 608 746	-	51 608 746
Financial assets at amortised cost	6 379 440	-	6 379 440
	65 377 000	-	65 377 000

The following table below summarises the effective interest rate for monetary financial instruments:

	2018	2017
Cash and cash equivalents	4.75%	4.75%

Cash flow sensitivity analysis for floating interest rate bearing instruments (cash and cash equivalents) and fair value sensitivity analysis for fixed interest rate bearing instruments.

A change of 100 basis points in interest rates at the reporting date would have increased or decreased surplus by the amounts shown below. No impact on accumulated funds as all interest income is reported in the statement of comprehensive income. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2017.

	2018	2017
Cash and cash equivalents:		
100bp 1% increase in market	130 088	73 888
100bp 1% decrease in market	(130 088)	(73 888)

2. Financial risk management (continued)

2.5. Legal risk

Legal risk is the risk that the Fund will be exposed to contractual obligations which have not been provided for. At 31 December 2018 the Fund did not consider there to be any significant concentration of legal risk that had not been provided for.

2.6. Capital risk management

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide benefits for its stakeholders.

Consistent with others in the industry, the Fund monitors capital on the basis of the reserve ratio. This ratio is calculated as accumulated funds divided by gross contributions. At year-end the Fund had a solvency ratio of 8.18 times (2017: 13.4 times) and reserve level 69% (2017: 74%).

2.7. Fair value estimation

Valuation techniques and assumptions applied for the purposes of measuring fair value.

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. These valuation techniques make maximum use of market inputs and are relying as little as possible on entity-specific inputs.

The carrying amount less impairment provision of trade receivables and the carrying amount of trade payables is assumed to approximate their fair values due to their short-term nature. The same applies to the outstanding claims provision, as claims should be settled within 4 months after year-end according to the terms of the Fund. Cash and cash equivalents have by definition a maturity of less than 3 months and therefore their fair value is also approximated by the carrying amount.

The members savings accounts contain a demand feature. In terms of regulations, any credit balance on a member's savings account must be taken as a cash benefit when the member terminates his or her membership of the Fund or benefit option, and enrolls in another benefit option or medical scheme without a savings account or does not enrol in another medical fund. Interest on these amounts is accrued monthly. Therefore the carrying values of the members savings accounts are deemed to be equal to their fair values, which is the amount payable on demand.

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 fair value measurement represents those instruments which are measured using unadjusted quoted prices for identical assets. Fair value measurements classified as level 1 include exchange-traded prices of fixed maturities and equity securities. Listed debt securities such as government securities and corporate bonds may be classified as level 1 or 2 depending on trade frequency and data availability.

	2018 N$	2017 N$

2. Financial risk management (continued)

Level 2 fair value measurement represents those instruments for which inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). They primarily include government and agency securities and certain corporate debt securities, such as private fixed maturities. As market quotes are generally not readily available or accessible for these securities, their fair value measures are determined utilising relevant information generated by market transactions involving comparable securities.They are often based on model pricing techniques that effectively discount prospective cash flows to present value using appropriate sector-adjusted credit spreads commensurate with the security's duration, also taking into consideration issuer-specific credit quality and liquidity. These valuation methodologies have been studies and evaluated by the asset manager and the resulting prices determined to be representative of exit values. Observable inputs generally used to measure the fair value of securities classified as level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data. Additional observable inputs are used when available, and as may be appropriate, for certain security types, such as pre-payment, default and collateral information for purpose of measuring the fair value of mortgage- and" asset-backed securities.

Level 3 fair value measurement represents those instruments for which inputs for the asset or liability are not based on observable market data (that is, unobservable inputs). Private equity securities are usually priced based on unobservable market data and are not easily tradable and therefore likely to be classified as level 3.

As at 31 December 2018, the Fund recognised financial instruments based on the following fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Financial assets at fair value	53 483 806	-	-	53 483 806

	Level 1	Level 2	Level 3	Total
Financial assets at fair value - 2017	51 608 746	-	-	51 608 746

2.8. Investment risk

Investment risk is the risk that the investment returns on accumulated assets will not be sufficient to cover future liabilities. Continuous monitoring takes place to ensure that appropriate assets are held where the Fund's liabilities are dependent upon the performance of the investment portfolio and that a suitable match of assets exists for all liabilities.

The Fund's investment objectives are to maximise the return on its investments on a long-term basis at minimal risk, subject to any constraints imposed by legislation or the trustees. Therefore, the portfolio of financial assets is managed and its performance evaluated on a fair value basis. The Fund continues to diversify its investment portfolio by investing in short-term deposits, money market instruments, debt securities and equity.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.
The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed in note 1.12.

4. Computer equipment

	2018			2017		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Office equipment	181 379	(15 113)	166 266	-	-	-

I-Pads to an amount of N$181 379 have been acquired during the 2018 financial year in order for the trustees to use during board meetings.

Depreciation rates

The depreciation methods and average useful lives of computer equipment have been assessed as follows:

Office equipment	Straight line basis - years	3	-

5. Financial assets measured at fair value

Interest and dividends received from the investments in the current year amounts to N$2 679 657 and N$442 017 respectively (2017: N$2 218 479 and N$696 866).

	2018	2017
Fair value at the beginning of the year	51 608 746	47 159 564
Interest Received	2 679 657	2 218 479
Dividends received	442 017	696 856
Other incomes and expenditure	(399 610)	(576 040)
Market Movement	(847 004)	2 109 887
	53 483 806	51 608 746
Current portion	53 483 806	51 608 746

The current portion is represented by Sanlam Investments Management (Pty) Ltd.

The Fund complies with Regulation 9 which requires that a minimum of 35% of the total assets value of the Fund are invested within Namibia.

Financial instruments 2018	Namibia	CMA	Offshore	Total
Equities	3 378 472	8 177 808	5 447 223	17 003 503
Government Bonds	4 265 369	5 058 921	-	9 324 290
Properties	-	713 520	932 186	1 645 706
Cash and Cash Equivalents	16 788 578	7 876 942	844 787	25 510 307
	24 432 419	21 827 191	7 224 196	53 483 806

Financial instruments 2017	Namibia	CMA	Offshore	Total
Equities	2 615 831	8 791 847	576 423	11 984 101
Government Bonds	2 261 701	3 618 563	456 719	6 336 983
Properties	2 619 188	1 075 786	5 203 397	8 898 371
Cash and Cash Equivalents	17 598 993	6 002 509	787 789	24 389 291
	25 095 713	19 488 705	7 024 328	51 608 746

Notes to the Annual Financial Statements

	2018 N$	2017 N$

6. Financial assets held at amortised costs

	2018 N$	2017 N$
Balances at the beginning of the year	6 379 440	5 910 988
Interest received	505 578	468 452
	6 885 018	6 379 440
Current portion	6 885 018	6 379 440

The current portion is represented by Nampost.

Total interest received from the investments in the current year amounts to N$505 578 (2017: N$468 452). The fair value approximates the carrying amount.

7. Trade and other receivables

	2018 N$	2017 N$
Financial instruments:		
Contributions outstanding	3 958 863	6 916 489
Trade and other receivables	320 578	305 366
Total trade and other receivables	4 279 441	7 221 855

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

	2018 N$	2017 N$
At amortised cost	4 279 441	7 221 855

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018 N$	2017 N$
Current Account - Standard Bank Namibia Limited	6 708 469	4 837 048
Money Market Funds - Capricorn Asset Management	1 234 477	1 142 776
Call Account - Standard Bank Namibia Limited	5 065 947	1 408 990
	13 008 893	7 388 814

Notes to the Annual Financial Statements

	2018 N$	2017 N$

9. Outstanding claims provision

Reconciliation of outstanding claims provision - 2018

	Opening balance	Additions	Total
Outstanding claim provision	5 291 570	4 024 261	9 315 831

Reconciliation of outstanding claims provision - 2017

	Opening balance	Additions	Total
Outstanding claim provision	5 150 173	141 397	5 291 570

The outstanding risk claims provision was based on the actual claims relating to the financial year received in the four months after year-end plus an estimate for expected claims relating to the financial year that will be paid after the four month period. This estimate is based on the ratio of claims after four months to the claims within four months and is determined from historical experience.

The existing accounting policy relating to the outstanding claims provision considers current estimates of all contractual flows, therefore in terms of paragraph 15 to 19 of IFRS 4, no further liability adequacy test is required.

10. Trade and other payables

	2018 N$	2017 N$
Financial instruments:		
Accruals	195 877	131 911

11. Revenue

	2018 N$	2017 N$
Net contribution income	98 414 892	90 691 319

12. Net claims & health management costs

The net claims incurred and health management costs comprises of the following:

	2018 N$	2017 N$
Net claims incurred	95 381 325	86 125 314
Hospital benefit management	419 952	396 988
Pharmaceutical benefit/claims processing and management	734 757	664 436
	96 536 034	87 186 738

13. Asset management fees

	2018 N$	2017 N$
Financial intermediary and administration fees	399 610	576 040

Notes to the Annual Financial Statements

	2018 N$	2017 N$

14. Cash generated from operations

Surplus for the year	1 136 342	5 909 232
Adjustments for:		
Depreciation	15 113	-
Dividend received	(442 017)	(696 856)
Interest received	(3 682 267)	(3 053 153)
Asset management fees	399 610	576 040
Fair value adjustments	847 005	(2 109 887)
Movements in provisions	4 024 261	141 397
Changes in working capital:		
Trade and other receivables	2 942 414	(100 609)
Trade and other payables	63 966	(75 403)
	5 304 427	590 761

15. Investment income

Dividend received	442 017	696 856
Interest received - Investing	3 185 235	2 686 931
Interest received - Operating	497 032	366 222
	4 124 284	3 750 009

16. Related parties

The Fund Administrator, Prosperity Health Namibia (Pty) Ltd is considered to have an influence on the Fund operational decisions, subject to the rules and regulations of the Fund and the Board of Trustees decisions. The Administrator as well as the Principal Officer attend and participate in all discussions at various meetings held by the Fund but the ultimate power and decision making vests solely in the Trustees. The Administrator and Principal Officer do not have voting rights at any meeting.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Fund. Key management personnel include the Trustees and the Principal Officer. The Principal Officer is compensated on a salary basis.

Related party balances and transactions

The following table provides the nature of transactions which have been entered into with related parties for the relevant financial year:

Transactions	Nature of transactions and terms and conditions thereof
Contributions income	This constitutes the contribution paid by the related party as a member of the Fund, in their individual capacity. All contributions were on the same terms as applicable to other members.
Claims incurred	This constitutes the claims paid to the related party as a member of the Fund, in their individual capacity. All claims were on the same terms as applicable to other members.
Contributions outstanding	This constitutes the contributions receivable from the related party as member of the Fund, in their individual capacity. All contributions debtors were on the same terms as applicable to other members.

Notes to the Annual Financial Statements

	2018 N$	2017 N$

16. Related parties (continued)

Outstanding claims provision — This constitutes the claims payable by the related party as a member of the Fund, in their individual capacity. All claims outstanding were on the same terms as applicable to other members.

	2018 N$	2017 N$
Prosperity Health Namibia (Administration fees)	2 277 292	2 153 264
Prosperity Lifecare Insurance Limited (Emergency Evacuation Risk Transfer)	1 063 176	1 005 023
	3 340 468	3 158 287

17. Medical insurance risk management

Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Fund assumes the risk of loss from members and their dependants that are directly subject to the risk. These risks relate to the health of the Fund members. As such the Fund is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Fund also has exposure to market risk through its insurance activities.

The Fund manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management, service provider profiling, centralised management of risk transfer arrangements as well as the monitoring of emerging issues and advice by the actuaries of the Fund.

The Fund uses several methods to assess and monitor insurance risk exposure both for individual types of risk insured and overall risk. These methods include internal risk measurement models, sensitivity analysis, scenario analyses and stress testing. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected.

Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

Namibia currently does not have prescribed minimum benefits (PMB).

In-hospital benefits cover all costs incurred by members whilst they are in hospital to receive pre-authorized treatment for certain medical conditions.

Chronic benefits cover the cost of certain medicines utilised by members for chronic conditions/diseases, such as high blood pressure, cholesterol and asthma.

The Fund's strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risk over a number of years and, as such it is believed that this reduces the variability of the outcome.

Contracts vary in length and the Fund has the right to change the terms and conditions of the contract at renewal.

Risk arrangements

The Fund transfers a portion of its Emergency Evacuation risk through a risk transfer arrangement in order to control its exposure to losses and protect capital resources.

Risk in terms of risk transfer arrangements

The Fund cedes insurance risk to limit exposure to underwriting losses under Emergency Evacuation that cover individual risk, group risk or defined blocks of business, on a yearly renewable term, excess or catastrophe excess basis. These risk transfer arrangements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Fund's evaluation of the specific risk, subject in certain circumstances, to maximum limits based on characteristics of coverage.

Notes to the Annual Financial Statements

	2018 N$	2017 N$

17. Medical insurance risk management (continued)

18. Non-healthcare costs

	2018 N$	2017 N$
Advertising	31 699	7 299
Auditors remuneration	243 681	199 900
Bank charges	157 875	132 274
Legal fees	-	103 529
Board meeting expenses	81 243	63 854
Trustee sitting allowance	174 441	161 410
Trustee indemnity and liability cover	39 574	39 574
Principal Officer remuneration	379 703	321 900
Actuarial and investing consulting fees	297 761	293 940
Administration fees	2 277 292	2 153 264
Rule change - Namfisa	570	220
Affiliation fees - Namaf	211 408	152 524
Affiliation fees - Namfisa	159 106	24 830
Printing and stationery	3 646	11 998
Affiliation fees - BHF	15 516	14 861
Trustee training and conference	236 154	162 192
Travelling costs	493 479	331 268
Insurance - Trustee IPads	2 594	-
Trustee Ipad Accessories	26 848	-
Depreciation	15 113	-
	4 847 703	4 174 837

19. Other income

	2018 N$	2017 N$
Refund of HIV/AIDS costs	1 227 518	1 246 497
MVA refunds	-	49 135
	1 227 518	1 295 632

Notes to the Annual Financial Statements

	2018	2017
	N$	N$

20. Restatement

During the prior year asset management fees was disclosed as a separate line item in the Statement of Cash Flows, However during the current year it has not been presented as a separate cash flow item, as it is a non-cash flow item.

Comparative figures were restated to ensure that figures are comparable.
The assets measured at fair value shall thus exclude the asset management fees in both current and comparative year.

The following line items have been amended in the Statement of Cash Flows:

	Previously reported	After Restatement	Change in presentation
Asset management fees	(576 040)	-	576 040
Increase in assets measured at fair value	(2 339 295)	(2 915 335)	(576 040)